



**Kuo Toong
International
Co., Ltd.**

Stock Code: 8936

國統國際股份有限公司

KUO TOONG INTERNATIONAL CO., LTD.

2021 Annual Report

For more information related to this Annual Report, please visit the following websites Taiwan Stock Exchange Market Observation Post system:
<https://mops.twse.com.tw/mops/web/index> under the “Electronic Books” section

Company website: <https://www.kti.com.tw/list/shareholder-information.htm>

Published on May 20, 2022

1. (1) Spokesperson:

Name: DU, GUAN-CHEN

Title: Vice President

TEL: (07) 557-3755

E-mail: IR@kti.com.tw

(2) Deputy spokesperson:

Name: HUANG, WEN-HUI

Title: Accounting Manager

TEL : (07) 557-3755

E-mail: IR@kti.com.tw

(3) Investor service phone number: (07) 557-7080

2. General Administration Office

Address: Room 5, 8F, No. 91, Dashun 1st Rd., Zuoying Dist., Kaohsiung City

TEL: (07) 557-3755

Plant

Address: No. 400, Rd., Xinyuan Township, Pingtung County

TEL: (08) 869-0848

3. Stock Transfer Agent:

Name: Stock Transfer Agency Department, Grand Fortune Securities Co.

Address: 6F, No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzhen Dist., Taipei City

TEL: (02) 2383-6888

Website: <http://www.gfortune.com.tw/>

4. Auditors:

Auditors: CPA HUANG, SHIH-CHIEH, CPA LI, FANG-WEN

Name of Accounting Firm: Ernst & Young Taiwan

Address: 11F, No. 189, Sec. 1, Yongfu Rd.

TEL: (06) 292-5888

Website: https://www.ey.com/en_tw

5. Overseas Securities Exchange: None

6. Corporate website: <http://www.kti.com.tw/>

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I. Letter to Shareholders

1. 2021 Business Report

In March 2021, in response to Taiwan's water shortage, the Company joined the national team to fight against drought, and under the efforts of all the staff, we completed the emergency seawater desalination 3,000CMD unit in Hsinchu and the emergency groundwater treatment project in Taichung construction site. In addition to the projects already underway, we are also co-contracting the water reclamation project for the Fountainhead Water Reclamation Center in Taichung, which is expected to commence in 2022.

In 2021, consolidated net operating revenues increased by \$912,724 thousand to \$4,621,035 thousand compared to \$3,708,311 thousand in 2020, representing a 24.61% increase in consolidated revenue, mainly due to the continued progress of projects in Taiwan in 2021. Consolidated gross profit for 2021 was \$1,068,464 thousand, an increase of \$226,813 thousand compared to the consolidated gross profit of \$841,651 thousand in 2020, and the operating gross margin of 23% increased by 2% compared to 21% in 2020.

Consolidated operating expenses for 2021 were NT\$472,657 thousand, an increase of NT\$2,178 thousand from NT\$474,835 thousand for 2020. Consolidated gross profit for the period was NT\$1,068,464 thousand after deducting consolidated operating expenses of NT\$472,657 thousand, resulting in consolidated operating income of NT\$595,807 thousand, an increase of NT\$228,991 thousand from NT\$366,816 thousand for 2020.

Non-operating expenses decreased by \$44,910 thousand from \$149,553 thousand in 2021 to \$104,644 thousand in 2020, mainly due to higher non-operating expenses in 2020 as a result of the provision for impairment loss on machinery and equipment, goodwill and licenses, and the provision for deferred income tax assets.

The above consolidated operating income of \$595,807 thousand, less consolidated non-operating expenses of \$104,644 thousand, resulted in a consolidated net income before income taxes of \$491,163 thousand, net of consolidated income tax expense of \$164,126 thousand, resulting in a net income after tax of \$327,037 thousand, of which \$439,405 thousand was attributable to the parent company.

(1) Business Plan Implementation Results

Unit: NTD\$thousand

Item \ Year	2021	2020	Increase/Decrease	
			Amount	%
Net Operating Income	4,621,035	3,708,311	912,724	24.61
Operating Costs	(3,552,571)	(2,866,660)	(685,911)	23.93
Gross Profit	1,068,464	841,651	226,813	26.95
Operating Expenses	(472,657)	(474,835)	2,178	(0.46)
Net Income	595,807	366,816	228,991	62.43
Non-operating income and	(104,644)	(149,553)	44,909	(30.03)
Income before income tax	491,163	217,263	273,900	126.07
Net income for the period	327,037	114,825	212,212	184.81

Net income attributable to owners of the parent	448,367	125,071	323,296	258.49

(2) Income and expenses

Unit: NTD\$thousand

Item	2021	2020
Net cash outflow from operating activities	39,519	(76,638)
Net cash flows (out) from investing activities	(158,433)	(264,342)
Net cash inflow from financing activities	343,821	174,246
Effect of exchange rate changes on cash and cash equivalents	(15,028)	22,492
Net increase (decrease) in cash	209,879	(144,242)
Cash and cash equivalents at beginning of period	486,321	630,563
Cash and cash equivalents at the end of the period	696,200	486,321

(3) Profitability Analysis

Item	2021	2020
Return on Assets (%)	3.13	1.48
Return on equity (%)	4.94	1.78
Ratio to paid-in capital		
Operating Income	24.02	14.81
(%)		
Net income before	19.80	11.76
Net Profit Rate (%)	7.08	3.10
EPS	1.81	0.50

(4) Research and development status

1. Improvement of energy efficiency and optimization of production technology for centrifugal cast pipes.
2. Propulsion steel pipe (WSP) for socket type waterway.
3. Desalination technology capability enhancement, including
 - 3.1 High-pressure pump and lift pump equipment
 - 3.2 Energy recycler equipment
 - 3.3 LSI water quality adjustment technology
4. Development of AUFM equipment for pre-treatment of water purification projects.
5. Wastewater treatment technology capacity enhancement, including
 - 5.1 Sludge anaerobic digestion equipment.

- 5.2 Sludge reduction technology.
6. Reclaimed water treatment technology research and development
7. Establishment of various water treatment (seawater desalination, sewage and recycled water treatment) project receiving capacity.
8. Establish intelligent (AI) operation procedures to improve the operational efficiency of water treatment plants (desalination, wastewater and reclaimed water treatment) to save energy and reduce manpower.

2.2022 Business Plan Summary and Future Development Strategy

1) The Company's operations in 2022 were mainly focused on:

1. Water transmission and distribution pipelines and water conservancy facilities.
2. Investment, construction and operation of seawater desalination plants.
3. Rural and urban water pipeline projects, including water recycling centers, pipeline systems and customer take-over projects.
4. Iron and manganese filtration treatment equipment for small water purification plants.
5. Expansion of DIP pipe fittings sales business.
6. Reclaimed water business such as domestic wastewater and industrial waste water recycling.
7. Foreseeing the business of reservoir improvement and water supply improvement projects in infrastructure construction.
8. Planning, design and construction of water purification plants.

2) Future development strategy:

Continuing with the completion of various water-related projects under the forward-looking program, securing the 10-year, NT\$160 billion water resources projects pushed by the Water Resources Agency of the Ministry of Economic Affairs, including water reclamation plants, new desalination plants, water supply area regulation pipeline networks, construction of artificial lakes, abstraction of subsurface water, reservoir dredging and other strategic projects, as well as Taiwan Water Corporation's three-year, NT\$14.5 billion backup project, NT\$14.5 billion backup pipeline business, and strengthening its own DIP, SP pipe production and pipeline projects, and working with pipeline projects to enhance the multi-faceted development of complete water solutions, and developing a wide range of water-related businesses from dredging and water delivery (pipelines), water purification (water filtration systems) and water. The company's business is focused on the development of a wide range of water-related businesses from dredging and water delivery (pipelines), water purification (water filtration systems) and water.

Finally, I would like to express my sincere gratitude to our shareholders for their continued support and encouragement.

Chairperson and President: HUNG, YA-MAN

II. Company Profile

1. Date of Incorporation: July 15, 1978

2. Company History:

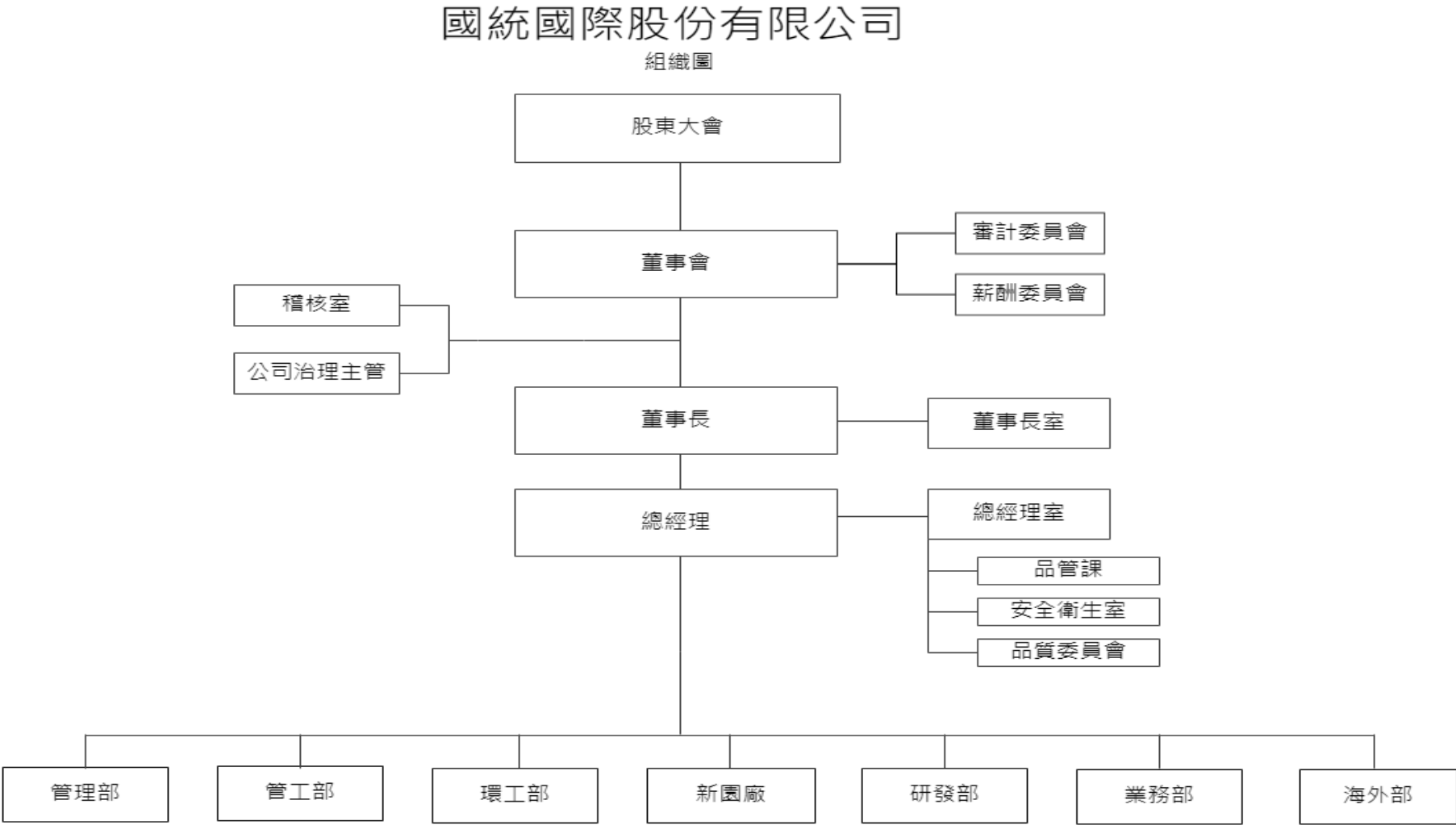
1978	Jul	Founded Kuo Toong Cement Products Co., Ltd., with a capital of NT\$2 million for the design, manufacture and distribution of water pipelines, with concrete products as its primary product.
1979	Jan	Cash capital increased by NT\$7 million, with a paid-in capital of NT\$9 million for the purchase of tubing equipment.
1979	Mar	Cash capital increased by NT\$9 million and paid-in capital increased to NT\$18 million for the purchase of land and construction of Formally produced prestressed concrete non-cylinder pipes (PSCP) and coated steel pipe fittings for water transmission (SP parts).
1980	Dec	Cash capital increased by NT\$12 million and paid-in capital increased to NT\$30 million to purchase additional machinery and equipment to increase production capacity.
1981	Feb	Qualified as a plumbing contractor and officially produced reinforced concrete pipes (RCP), concrete pipes for sewerage in jacking method (JCP) and JCP joints.
1981	May	The JCP was awarded the CNS Mark (Tai-Zheng-Zi No. 3129).
1981	Jun	The RCP was awarded the CNS Mark (Tai-Zheng-Zi No. 3150) and the Company as a Class A Excellent Manufacturer.
1984	Mar	Introduced large-diameter high pressure-resistant prestressed concrete cylinder pipes (PCCP) and commenced production of large-diameter pipe types over 2000mm with a monthly production capacity of 300 units; coated large-diameter steel pipes (SP) for water transmission with a monthly production capacity of 300 units; coated large-diameter steel pipes (SP) for water transmission with a monthly production capacity of 250 units.
1988	Feb	Cash capital increased by NT\$15 million and paid-in capital increased to NT\$45 million.
1989	Jan	The PSCP was awarded the CNS Mark (Tai-Zheng-Zi No. 5116).
1990	Sep	Cash capital increased by NT\$27 million and paid-in capital increased to NT\$72 million for the expansion of production facilities.
1997	Jul	Cash capital increased by NT\$1.6 million and paid-in capital increased to NT\$93.6 million for the purchase of office space in Kaohsiung.
1997	Aug	The joint government inspection team has assessed that the Company was qualified to manufacture 3200mm PCCP and SP.
1997	Oct	To achieve the goal of sustainability, we expanded our business space by purchasing additional offices in the Daishun Industrial Building in Kaohsiung and relocating our head office to this location.
1998	Sep	Passed the ISO 9002 international quality assurance certification by the MOEA Bureau of Standards, Metrology and Inspection; upheld the management philosophy of product conformity to customer needs, continuous improvement of quality and capability, upheld the management philosophy of product conformity to customer needs, continuous improvement of quality and capability, effective cost control and environmental safety efforts by all staff, with the highest quality policy of "meeting requirements and customer satisfaction."
1998	Nov	Officially produced polyethylene coated steel pipes (PESP) with a monthly production capacity of 4500mm.
1999	Jun	The PCCP was awarded the CNS Mark (Tai-Zheng-Zi No.6658).
1999	Jul	The capital increase was NT\$30,240,000 in cash, NT\$42,588,000 in capital increase through capitalization of retained earnings and NT\$13,572,000 in capital increase through capitalization of capital reserve, resulting in a capital of NT\$180,000,000. At this stage, the Company had expanded into the design and construction of pipeline transmission and distribution and water monitoring. At this stage, the Company had expanded into the design and construction of pipeline transmission and distribution and water monitoring and management, non-excavation advancement pipeline works, tunneling pipeline works and shield works. Going forward, the Company would continue to strengthen its expertise in the face of ever-increasing quality and construction requirements and expand its business scope, aiming to diversify its operations and move towards internationalization.
1999	Oct	Changed the name of the Company to "Kuo Toong International Co., Ltd."
1999	Nov	Public issue of shares approved by the Securities and Futures Commission of the Ministry of Finance.
2000	Jul	Capital increased through capitalization of retained earnings by NT\$101.7 million and through capitalization of employee bonus by NT\$3.3 million, resulting in a capital of NT\$285 million.
2001	Jul	Capital increased through capitalization of retained earnings by NT\$31,635,000 and through capitalization of employee bonus by NT\$1,365,000, resulting in a capital of NT\$318 million.
2002	Mar	The Company applied to Taipei Exchange for the listing of its shares on the OTC market.

2002	May	The board of directors of Taipei Exchange approved the listing of the Company's shares on the OTC market.
2002	Jun	The MOF Securities and Futures Commission approved the listing of the Company's shares on the OTC market.
2002	Jul	Capital increased through capitalization of retained earnings by NT\$31.8 million, with a capital of NT\$349,800,000.
2002	Sep	The Company's shares were officially listed for trading on the OTC market.
2002	Sep-Dec	Secured the certificates of Class 6, Class 19 and Class 7 in the Enforcement Rules of the Trademark Act for "Kuo Toong and drawings" (ROC Extension of Trade Mark Approval Nos. 1012707, 1017404 and 1026129). drawings" (ROC Extension of Trade Mark Approval Nos. 1012707, 1017404 and 1026129).
2003	Apr	A branch office in Taitung was set up for additional aquaculture and functional water development business.
2003	Apr	Taipei Exchange approved the trading of the Company's shares for the purpose of securities lending / borrowing.
2003	Jun	Capital increase through capitalization of retained earnings by NT\$100 million resulted in a capitalization of NT\$449,800,000.
2004	Jun	Capital increase through capitalization of retained earnings by NT\$150.2 million resulted in a capitalization of NT\$600 million.
2004	Jul	Issued the first domestic secured convertible bond of NT\$450 million and the second unsecured convertible bond of NT\$150 million.
2005	Oct	Capital increase through capitalization of retained earnings and capitalization of capital reserve by NT\$9.1 million resulted in a capitalization of NT\$602,941,720.
2005	Dec	Invested in Siyu Desalination Co whose main business is tap water operations and pipeline engineering.
2005	Dec	The treasury stock was cancelled and the capital was reduced by NT\$4.5million, resulting in a capitalization of NT\$598,441,720.
2007	Apr	Private equity of NT\$70 million, with an increased capital of NT\$668,441,720.
2007	Oct	The convertible bonds were converted into 12,268 ordinary shares, resulting in a total of 66,856,440 issued shares and a paid-in capital of NT\$668,564,400. The convertible bonds were converted into 12,268 ordinary shares, resulting in a total of 66,856,440 issued shares and a paid-in capital of NT\$668,564,400.
2008	Jan	Xinjiang Guotong Pipeline Co, the Company's China-based investee, was officially listed and traded on the Shenzhen Stock Exchange December A-share (code 002205).
2008	Dec	Capital increase through capitalization of retained earnings by NT\$33,428,220 resulted in a capitalization of NT\$701,992,620.
2009	Mar	Private equity of NT\$202.8 million, with an increased capital of NT\$904,792,620.
2009	Jun	Formally produced ductile iron pipes (DIP)
2010	Jul	The capital increase of NT\$200 million in cash resulted in a capitalization of NT\$1,104,792,620.
2010	Oct	Capital increase through capitalization of retained earnings by NT\$88,383,410 resulted in a capitalization of NT\$1,193,176,030.
2011	Jan	Issued the third domestic secured convertible bond for a total of NT\$500 million.
2011	May	The convertible bonds were converted into 1,428,971 ordinary shares, resulting in a total of 120,746,574 issued shares and a paid-in capital of NT\$1,207,465,740. The convertible bonds were converted into 1,428,971 ordinary shares, resulting in a total of 120,746,574 issued shares and a paid-in capital of NT\$1,207,465,740.
2011	Aug	The convertible bonds were converted into 2,468,428 ordinary shares, resulting in a total of 123,215,002 issued shares and a paid-in capital of NT\$1,232,150,020. The convertible bonds were converted into 2,468,428 ordinary shares, resulting in a total of 123,215,002 issued shares and a paid-in capital of NT\$1,232,150,020.
2011	Sep	The convertible bonds were converted into 238,161 ordinary shares, resulting in a total of 123,453,163 issued shares and a paid-in capital of NT\$1,234,531,630. The convertible bonds were converted into 238,161 ordinary shares, resulting in a total of 123,453,163 issued shares and a paid-in capital of NT\$1,234,531,630.
2011	Oct	Capital increase through capitalization of retained earnings by NT\$116,929,160 resulted in a paid-in capital of NT\$1,351,460,790.
2012	Jan	The convertible bonds were converted into 277,387 ordinary shares, resulting in a total of 135,423,466 issued shares and a paid-in capital of NT\$1,354,234,660. The convertible bonds were converted into 277,387 ordinary shares, resulting in a total of 135,423,466 issued shares and a paid-in capital of NT\$1,354,234,660.
2012	Apr	The convertible bonds were converted into 321,985 ordinary shares, resulting in a total of 135,745,451 issued shares and a paid-in capital of NT\$1,357,454,510.
2012	Jul	The convertible bonds were converted into 536,644 ordinary shares, resulting in a total of 136,282,095 issued shares and a paid-in capital of NT\$1,362,820,950. The convertible bonds were converted into 536,644 ordinary shares, resulting in a total of 136,282,095 issued shares and a paid-in capital of NT\$1,362,820,950.
2012	Aug	NT\$1,362,820,950.
2013	May	The registered capital was corrected to NT\$3 billion and the capital increased through capitalization of retained earnings by NT\$373.300,000, resulting in a paid-in capital of

		NT\$1,736,120,950. 373,300,000, resulting in a paid-in capital of NT\$1,736,120,950.
2013	Aug	The convertible bonds were converted into 122,299 ordinary shares, resulting in a total of 173,734,394 issued shares and a paid-in capital of NT\$1,737,343,940.
2013	Nov	The convertible bonds were converted into 40,766 ordinary shares, resulting in a total of 173,775,160 issued shares and a paid-in capital of NT\$1,737,751,600.
2014	Jan	The convertible bonds were converted into 11,029,413 ordinary shares, resulting in a total of 184,804,573 issued shares and a paid-in capital of NT\$1,848,045,730.
2014	Feb	The convertible bonds were converted into 11,029,413 ordinary shares, resulting in a total of 184,804,573 issued shares and a paid-in capital of NT\$1,848,045,730.
2015	Jan	The Investment Commission approved the establishment of a subsidiary in Sanming, Fujian Province, China-to specialize in the development of ductile iron pipes in the Chinese market-which was tentatively named Fujian Taiming Cast Pipe Technology Co. The convertible bonds were converted into 2,152,910 ordinary shares, resulting in a total of 186,957,483 issued shares and a paid-in capital of NT\$1,869,574,830. The convertible bonds were converted into 2,152,910 ordinary shares, resulting in a total of 186,957,483 issued shares and a paid-in capital of NT\$1,869,574,830.
2015	Nov	Issued the fourth domestic secured convertible bond for a total of NT\$600 million. The capital increase of NT\$281,250,000 in cash resulted in a capitalization of NT\$2,150,824,830.
2016	Oct	Capital increase through capitalization of retained earnings by NT\$107,541,250 in cash resulted in a capitalization of NT\$2,258,366,080.
2019	Apr	Issued the first domestic secured corporate bonds of NT\$250 million.
2019	Aug	The capital increase of NT\$200 million in cash resulted in a capitalization of NT\$2,458,366,080.
2019	Nov	Capital increase through capitalization of retained earnings by NT\$33,875,490 resulted in a capitalization of NT\$2,492,241,570.
2020	Aug	The treasury stock was cancelled and the capital was reduced by NT\$11.46 million, resulting in a capitalization of NT\$2,480,781,570.
2022	Jan.	Issued the first domestic secured general corporate bonds of \$250 million.

III. Corporate Governance Report

I.Organization
(1) Organizational Chart



2) The business of major divisions:

1. Chairman's Office:

- (1) Formulates the Company's business philosophy, business strategy and business objectives.
- (2) Approves and supervises the investees.
- (3) Maintains public relations and corporate image.

2. President's Office:

- (1) Implements business objectives.
- (2) Evaluates the investees.
- (3) Evaluates, analyzes and improves the Company's business performance.
- (4) Implements objective management, hierarchical responsibility, reward and punishment.
- (5) Oversees the Company-wide quality, safety and health programs.

3. Audit Office:

- (1) Plans, implements and improves internal audit and internal control system.
- (2) Ensures that all operations comply with the law and the Company's internal regulations to help boost operational performance.

4. Management Division:

- (1) Personnel and general administration operations (internal management rules and regulations compilation, human resources development, utilization, management, reward and punishment system implementation).
- (2) Purchases bulk raw materials and fixed assets with contract management.
- (3) Analyzes accounts and accounting, manages by exception operational irregularities, and corrects deviations in product costing.
- (4) Financing, assessment of the control of domestic and foreign investees or subsidiaries, shareholder services, cash and bank deposit management.
- (5) Information systems integrated security management.

5. Engineering Management Division:

- (1) Market information collection, compilation and analysis.
- (2) Pipeline business development, expansion and planning.
- (3) Tendering.
- (4) Quoting, contract signing, sales contract control and tracking of raw materials and finished goods delivery dates.
- (5) Annual budget assessment and immediate revision.

A. Project planning and design B. Project cost estimation C. Project tendering D. Construction control (construction plan, project budget, construction methods, progress planning, contracting, material requisition, price audit, cost control, construction quality, site management, account estimation, etc.)

- (6) Project quotation, contract signing, project control, contracting operations and control.

6. Business Division:

- (1) Market information collection, compilation and analysis.
- (2) Sales business development, expansion and planning.
- (3) Quoting, contract signing, sales contract control, raw material and finished product delivery tracking, customer payment methods control and accounts receivable management.
- (4) Market cost, competitiveness analysis, sales cost analysis.
- (5) Annual budget assessment and immediate revision.

7. R&D Division:

- (1) R&D in raw materials, products, processes, methods, production equipment and construction machinery.
- (2) Assists departments in implementing new research findings.
- (3) Trains in-house talent.

8. Sinyuan Plant:

- (1) Product manufacturing control, quality control, production management, purchase control of raw materials, factory management, access control.
- (2) Purchase, management and maintenance of plants, offices and production machinery and equipment.
- (3) Labor and material cost control, cost structure analysis and development.
- (4) Safety and health protection.
- (5) ISO system maintenance and improvement.
- (6) Production line planning improvements.

9. Overseas Division:

- (1) Overseas business development, expansion and planning.
- (2) International trade business.
- (3) Control and management of overseas investees or subsidiaries

10. Environmental Engineering Division:

- (1) Environmental engineering business development, expansion, planning and other related matters.
- (2) Integrated management of environmental engineering quotation, contract, procurement, quality, progress, cost, construction, contracting and bidding.
- (3) Responsible for the operation and maintenance, supervision and monitoring of the water field.
- (4) Supervise the operation and management of desalination plant and wastewater plant.
- (5) To manage water design, supervision, construction, professional technology development, technology development, introduction of evaluation and implementation and business development and other related matters.
- (6) Cost control, construction quality auditing and evaluation of account management results.
- (7) Field personnel transfer management.

II. Directors, President, Vice Presidents and Managers

(1) Directors:

1. Directors

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship			Note
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson	ROC	Tong Chuang Co	-	108.06.12	3Y	108.06.12	1,065,000	0.47%	7,674,224	3.09%	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: HUNG, YA-MAN	F 51-60	108.06.12	3Y	108.06.12	0	0.00%	19,261	0.01%	0	0.00%	0	0.00%	NKUST Civil Engineering and Tech. for Disaster Reduction Graduate School(Passed Oral Exam)	Kuo Toong International Co Director KUO TOONG INT LLC. Chairperson Siyu Seawater Desalination Co. Director Jie Mao International Co. Director Kuo Yang Environment Technology Co. Chairperson MARVEL LINE CO.,LTD. Chairperson Ting Teng Co. Chairperson Tong Chuang Co Chairperson	None	None	None	(Note 1)
Director	ROC	Tong Chuang Co	-	108.06.12	3Y	108.06.12	1,065,000	0.47%	7,674,224	3.09%	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: LO, WEI-CHE	M 41-50	109.11.16	1.5Y	108.06.12	0	0.00%	0	0.00%	14,000	0.01%	0	0.00%	NTU College of Accounting MA	Legendary & Steadfast Accountancy(LSA) Managing CPA HONG HO PRECISION TEXTILE CO., LTD.Independent Director	None	None	None	-
	ROC	Rept: KAO, FENG-CHI (Note 2)	M 51-60	2021.06.17	1Y	108.06.12	0	0.00%	0	0.00%	0	0.01%	0	0.00%	NTU College of Law	Cheng Feng Law Firm Managing Lawyer	None	None	None	-
Director	ROC	Lien Chuang INC. (Note 3)	-	2021.09.23	0.75Y	2021.09.23	787,000	0.32%	4,333,000	1.75%	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: TSAI, TSON-LUN (Note 3)	M 41-50	2021.09.23	0.75Y	2021.09.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	TKU Department of Southeast Asian Studies MA	Nan Feng Education Foundation CEO KORYO CO., LTDIndependent Director	None	None	None	-
	ROC	Rept: WANG, SHU-HUAN (Note 3)	F 31-40	2021.09.23	0.75Y	109.05.05	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Cheng Shiu University Department of Finance	Lian Ting Construction INC. CAO	None	None	None	-
Independent Director	ROC	KUO, CHIN-BAO	M 51-60	108.06.12	3Y	108.06.12	0	0.00%	0	0.00%	0	0.00%	0	0.00%	J.D., East China University of Political Science and Law	LEGALWAY LAW FIRM CEO SUNFAR COMPUTER CO., LTD.Independent Director	None	None	None	-
Independent Director	ROC	WANG, SEN-RON	M 51-60	108.06.12	3Y	108.06.12	0	0.00%	3,000	0.00%	17,303	0.01%	0	0.00%	J.D., China University of Political Science and Law	Jing Dien Law Firm Managing Lawyer Biopitk Technology,Inc Director	None	None	None	-
Independent Director	ROC	CHENG, SHUN-REN (Note 3)	M 51-60	2021.09.23	0.75年	2021.09.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Manuel L.Q University PHD Chung Hua University Graduate School of Tech. Management, PHD Program	Cheng Shiu University Vice Chancellor TOP HIGH IMAGE CORP.Independent Director NAN REN LAKE LEISURE AMUSEMENT CO., LTD.Independent Director	None	None	None	-

Note 1: If the chairman of the board of directors and the general manager or the equivalent (top manager) are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity and measures (such as increasing the number of Independent Director seats and having more than half of the board of directors who are not also employees or managers) should be explained as follows:

The Chairman of the Board of Directors is also the President of the Company mainly because of the current flat management to enhance management efficiency and execution of decisions. In the future, the Company intends to select suitable personnel for the President by the end of 2012, or plan to increase the number of Independent Director seats by one to enhance the functions of the Board of Directors and strengthen the supervision function, depending on the circumstances. The Chairman of the Board of Directors is also the President of the Company mainly because of the current flat management to enhance the management efficiency and execution of decisions.

Note 2: On June 17, 2021, the corporate reassignment was changed from CHOU Chun-Yu to KAO, FENG-CHI.

Note 3: Elected by shareholders on September 23, 2021.

2. Major shareholders of the institutional shareholders:

Apr.11,2022

Name of Institutional Shareholders	Major Shareholders
Tong Chuang Co	Hung, Hung-Chang(99.99%)
Lien Chuang INC.	Yu-Lien Jiang (99.99%)

3. Major shareholders of the Company of which the major shareholders are juristic persons: Not applicable.

4. Information of Directors and Independent Directors

Position and Name		Criteria	Professional Qualification Requirement	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Chairperson	Tong Chuang Co Rept: HUNG, YA-MAN		Meet Professional Qualification Requirements, Together with at Least Five Years Work Experience. Currently serves as the Chairperson of the Board of Directors of the Company	(1)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (2)No spouse or relative within two degrees of kinship with other directors. (3)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (4)There is no violation against Article 30 of the Company Act.	None
Director	YEH, CHIN-CHENG (Note 1)		With more than five years of experience in the company's business and has worked for China Steel Corporation and is the former general manager of the company.	(1)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (2)No spouse or relative within two degrees of kinship with other directors. (3)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (4)There is no violation against Article 30 of the Company Act.	None
Director	FU, HSUEH-JEN (Note 2)		With more than five years of experience in the company's business and has worked for China Steel Corporation and is currently the senior vice president of the company.	(1)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (2)No spouse or relative within two degrees of kinship with other directors. (3)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (4)There is no violation against Article 30 of the Company Act.	None

Position and Name		Criteria	Professional Qualification Requirement	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director	Tong Chuang Co Rept: CHOU, CHENG-YU(Note3)		With more than five years of experience in corporate practice and is currently the presiding attorney of Zhenhe Law Firm.	(1)Employees who are not employees of the Company or its affiliates ° (2)Directors and supervisors who are not directors or supervisors of the Company or its affiliated companies. (3)A person shareholder who does not hold more than 1% of the total issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4)The spouse, a relative within the second degree of consanguinity, or a relative within the third degree of consanguinity of a person who is not a manager listed in (1) or a person listed in (2) or (3). (5)A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of the Company's outstanding shares, hold the top five shares or designate a representative as a director or supervisor of the Compan (6)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (10)There is no violation against Article 30 of the Company Act.	None

Position and Name		Criteria	Professional Qualification Requirement	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director	Tong Chuang Co Rept: LO, WEI-CHE		With more than five years of experience in corporate practice and is qualified as an accountant. He is currently the lead accountant of Legendary & Steadfast Accountancy (LSA).	(1)Employees who are not employees of the Company or its affiliates . (2)Directors and supervisors who are not directors or supervisors of the Company or its affiliated companies. (3)A person shareholder who does not hold more than 1% of the total issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4)The spouse, a relative within the second degree of consanguinity, or a relative within the third degree of consanguinity of a person who is not a manager listed in (1) or a person listed in (2) or (3). (5)A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of the Company's outstanding shares, hold the top five shares or designate a representative as a director or supervisor of the Compan (6)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received co (10)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (11)There is no violation against Article 30 of the Company Act.	1
Director	Tong Chuang Co Rept: HUANG, WEN-HUI (註 4)		Over five years of experience in corporate business. Currently, he is the financial controller of our company.	(1)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (2)No spouse or relative within two degrees of kinship with other directors. (3)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (4)There is no violation against Article 30 of the Company Act.	None

Position and Name		Criteria	Professional Qualification Requirement	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Director	Tong Chuang Co Rept: KAO, FENG-CHI(Note 5)		With more than five years of experience in corporate practice and is a licensed attorney at Cheng Feng Law Firm.	(1)Employees who are not employees of the Company or its affiliates . (2)Directors and supervisors who are not directors or supervisors of the Company or its affiliated companies. (3)A person shareholder who does not hold more than 1% of the total issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4)The spouse, a relative within the second degree of consanguinity, or a relative within the third degree of consanguinity of a person who is not a manager listed in (1) or a person listed in (2) or (3). (5)A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of the Company's outstanding shares, hold the top five shares or designate a representative as a director or supervisor of the Compan (6)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received co (10)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (11)There is no violation against Article 30 of the Company Act.	None
Director	Lien Chuang INC. Rept: TSAI, TSON-LUN (Note 7)		With more than five years of experience in corporate business and is currently the CEO of Nan Feng Education Foundation.	(1)Employees who are not employees of the Company or its affiliates . (2)Directors and supervisors who are not directors or supervisors of the Company or its affiliated companies. (3)A person shareholder who does not hold more than 1% of the total issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4)The spouse, a relative within the second degree of consanguinity, or a relative within the third degree of consanguinity of a person who is not a manager listed in (1) or a person listed in (2) or (3). (5)A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of the Company's outstanding shares, hold the top five shares or designate a representative as a director or supervisor of the Compan (6)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received co (10)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (11)There is no violation against Article 30 of the Company Act.	None
Director	Lien Chuang INC. Rept: WANG, SHU-HUAN (Note 7)		With more than five years of experience in corporate business and is currently the Finance Manager of Lian Ting Construction INC.	(7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received co (10)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (11)There is no violation against Article 30 of the Company Act.	None

Position and Name		Criteria	Professional Qualification Requirement	Independence Criteria (Note 1)	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
Independent Director	CHANG, YI-SHUN (Note 6)		With more than five years of experience in corporate practice and is qualified as an accountant. Currently, he is the chairman of the board of directors of Soon Chun Song & Harvest.	(1)Employees who are not employees of the Company or its affiliates. (2)Directors and supervisors who are not directors or supervisors of the Company or its affiliated companies. (3)A person shareholder who does not hold more than 1% of the total issued shares or the top ten shares in the name of himself/herself, his/her spouse, minor children or others. (4)The spouse, a relative within the second degree of consanguinity, or a relative within the third degree of consanguinity of a person who is not a manager listed in (1) or a person listed in (2) or (3). (5)A director, supervisor or employee of a corporate shareholder who does not directly hold more than 5% of the total number of the Company's outstanding shares, hold the top five shares or designate a representative as a director or supervisor of the Company (6)A director, supervisor, or employee of another company that is not controlled by the same person as more than half of the Company's directorships or voting shares. (7)A director (director), supervisor (supervisor), or employee of another company or organization who is not the same person or spouse of the chairman, president, or equivalent officer of the Company. (8)No spouse or relative within two degrees of kinship with other directors. (9)Professionals, sole proprietors, partners, directors (directors), supervisors (supervisors), managers and their spouses who do not provide business, legal, financial or accounting related services for the Company or its affiliates, or who have received co (10)Article 27 of the Company Act does not provide for the election of the government, legal entities or their representatives. (11)There is no violation against Article 30 of the Company Act.	1
Independent Director	KUO, CHIN-BAO		With more than five years of experience in corporate practice and is currently a principal of LEGALWAY LAW FIRM.		1
Independent Director	WANG, SEN-RON		With more than five years of experience in corporate practice and is currently the managing attorney of Jing Dien Law Firm.		None
Independent Director	CHENG, SHUN-REN (Note 7)		With more than five years of experience in corporate business and is currently the Vice President of Cheng Shiu University.		2

Note 1: Resigned on November 15, 2021.

Note 2: Resigned on June 26, 2021.

Note 3: Appointed on May 12, 2021 and terminated on June 17, 2021.

Note 4: Reassigned on May 12, 2021.

Note 5: On June 17, 2011, the Corporation was reassigned to a new position.

Note 6: Resigned on July 26, 2021.

Note 7: Appointed at the shareholders' meeting on September 23, 2021.

5.Board Diversity and Independence

(1)Diversity of the Board of Directors

In order to achieve the aforementioned objectives and enhance the effectiveness of the Board of Directors, the Company has a policy of diversifying the membership of the Board of Directors. In accordance with Article 20(3) of the "Code of Governance Practices for Listed Companies", the composition of the Board of Directors shall take into account diversification. The criteria should include, but not be limited to, the following two major aspects.

①Basic qualifications and values: gender, age, nationality and culture, etc.

② Professional knowledge and skills: professional background (such as law, accounting, industry, finance, marketing or technology), professional skills and industry experience, etc.

The Company currently has eight board members, including three Independent Directors, whose areas of expertise include finance and accounting, law, operations and technology management. Two of the Board members are women and one is an employee. Two of the three Independent Directors have been on the Board for at least two years. The Company has always been concerned about gender equality in the Board of Directors, and at this stage, the target percentage of female directors is over 10%, and the current percentage of 8 directors includes 2 female directors, which is 25%.

Implementation of Diversity by Board Members:

Implementation of Diversity by Board Members.																		
Item Name	Basic information									Expertise								
	Nationality	Gender	Part-time employee of the Company	Age				Independent Director Seniority			Business judgement	Accounting and financial analysis skills	Operation Management Capability	Crisis Management Capability	Industry Knowledge	Leadership	Policy-making ability	sustainability Management Capability
				31-40	41-50	51-60	61-70	3-5	6-9	9+								
HUNG, YA-MAN	ROC	F	V			V				V	V	V	V	V	V	V	V	V
LO, WEI-CHE	ROC	M			V					V	V	V	V		V	V	V	V
KAO, FENG-CHI	ROC	M				V				V		V	V		V	V	V	V
TSAL, TSON-LUN	ROC	M			V					V	V	V	V		V	V	V	V
WANG, SHU-HUAN	ROC	F		V						V	V			V	V			
KUO, CHIN-BAO	ROC	M				V		V		V		V	V		V	V	V	V
WANG, SEN-RON	ROC	M				V		V		V		V	V	V	V	V	V	V
CHENG, SHUN-REN	ROC	M				V		V		V	V	V	V	V	V	V	V	V

(2) Independence of the Board of Directors

Independence of the Board of Directors: The Company's current Board of Directors consists of 8 members, including 3 Independent Directors, only 1 of whom is an employee (33.33% and 12.50% of the total number of directors). As of the end of 2011, the Independent Directors are all in compliance with the regulations of the Securities and Futures Bureau of the Financial Supervisory Commission regarding the Independent Directors, and there are no cases of the Independent Directors and the Directors being independent of each other as stipulated in Items 3 and 4 of Article 26 of the Securities and Exchange Act. The Company's directors are independent (please refer to pages 12-15 of this annual report - Disclosure of Professional Qualifications of Directors and Independence of Independent Directors), and each director has the qualifications, gender and work experience (please refer to page 10 of this annual report - Information on Directors).

(2) Information of President, Vice President, Assistant Manager, Head of Departments and Branches

Title	Nationality/ Country of Origin	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship			Remark (Note)
					Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairperson and President	ROC	HUNG, YA- MAN 51-60	F	2021.06.15	19,261	0.01%	0	0.00%	0	0.00%	NKUST Civil Engineering and Tech. for Disaster Reduction Graduate School(Passed Oral Exam)	Kuo Toong International Co Chairperson KUO TOONG INT LLC. Chairperson Siyu Seawater Desalination Co. Chairperson Jie Mao International Co. Director Kuo Yang Environment Technology Co. Chairperson MARVEL LINE CO.,LTD. Chairperson Ting Teng Co. Chairperson Tong Chuang Co Chairperson	None	None	None	None
President	ROC	YEH, CHIN- CHENG 61-70 (Note 2)	M	94.07.01	7,600,329	3.61%	8,173	0.00%	0	0.00%	Department of Mechanical Engineering, Chung Hsing University China Steel Corporation	-	None	None	None	None
Vice President	ROC	FU, HSUEH- JEN 61-70	M	100.05.01	185	0.00%	910	0.00%	0	0.00%	Department of Mechanical Engineering, Chung Yuan University, China China Steel Corporation	Siyu Seawater Desalination Co. Director KHTC Director Jien Yi Construction Director General Manager of Xiamen Guoxin Century Technology (Co., Ltd.) and Chairman of Fujian Taiming Casting Technology Co. Chairman of Fujian Taiming Trading Co.	None	None	None	None
Manging Vice President	ROC	DU, GUAN- CHEN 51-60	M	107.03.01	7,840	0.00%	0	0.00%	0	0.00%	Lingdong College Department of Accounting	KHTC Chairperson Jie Mao International Co. Director Kuotron Engineering (Stock) Co.Chairperson	None	None	None	None
Accounting Vice President	ROC	TSAI, HSIU- HUA 61-70 (Note3)	F	94.11.02	477,536	0.19%	0	0.00%	0	0.00%	Kuo Chi College Hang Yee Food Industry (Stock) Co.	-	None	None	None	None
CAO	ROC	HUANG, WEN-HUI 41-50	F	2021.06.07	0	0.00%	0	0.00%	0	0.00%	M.B.A., Kaohsiung University of Science and Technology Hua Hong New Technology Co	KHTC Supervisor	None	None	None	None
Director of Governance	ROC	Chi-Cheng Wu 51-60	M	2021.3.30	6,082	0.00%	0	0.00%	0	0.00%	Department of Law, Chung Hsing University Kuo Teng Construction Co., LTD	-	None	None	None	None

Note 1: If the president or equivalent (top manager) and the chairman of the board of directors are the same person, spouses or relatives of one another, the reasons, reasonableness, necessity, and measures (such as increasing the number of seats of Independent Director and having more than half of the directors who are not also employees or managers, etc.) should be disclosed as follows: The Chairman of the Board of Directors and the President of the Company are mainly due to the flat management to enhance the management efficiency and the execution of decisions.

Note 2: Retired on June 14, 2021.

Note 3: Retired on June 6, 2021.

(3) Compensation to directors, general manager and deputy general manager for the most recent year

1. Remuneration of Director and Independent Director

Dec. 31, 2021 Unit: NT\$ thousands

Dec. 31, 2021 Unit: NT\$ thousands

Position	Name	Remuneration of Directors								Amount and Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Amount and Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary	
		Base Compensation (A)		Severance Pay (B)		Bonus to Directors (C) (Note 1)		Allowances (D)				Salary, Bonuses, and Allowances (E) (Note 2)		Severance Pay (F) (Note 3)		Employee Bonus (G) (Note 4)							
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All Companies	Cash	Stock	Cash	Stock	The Company	All companies in the financial statements		
Chairperson	Tong Chuang Co	-	-	-	-	4,214	4,214	176	176	4,390 0.98%	4,390 0.98%	9,365	9,365	8,605	8,605	1,729	-	1,729	-	24,089 5.37%	24,089 5.37%	-	
	Rept.:HUNG, YA-MAN																						
	Director																						YEh, CHIN-CHENG(Note 5)
	Director																						FU, HSUEH-JEN(Note 6)
	Director																						Tong Chuang Co
																							Rept.: LO, WEI-CHE
																							Rept.:HUANG, WEN-HUI (Note 7)
																							Rept.:CHOU, CHENG-YU(Note 8)
	Director																						Rept.:KAO, FENG-CHI(Note 9)
																							Lien Chuang INC.
Rept.:TSAI, TSON-LUN(Note 10)																							
Independent	CHANG, YI-SHUN (Note 11)	1,028	1,028	-	-	1,685	1,685	790	790	3,503 0.78%	3,503 0.78%	-	-	-	-	-	-	-	-	3,503 0.78%	3,503 0.78%	-	
	KUO, CHIN-BAO																						
	WANG, SEN-RON																						
	Director																						CHENG, SHUN-REN (Note 10)
1. Please describe the policy, system, criteria and structure for the payment of remuneration to independent directors, and describe the relevance of the amount of remuneration to the responsibilities, risks, time commitment, etc. of the independent directors: The remuneration of the directors and independent directors of the Company is mainly based on the remuneration for the performance of their duties and the remuneration of the independent directors. The remuneration of the directors and independent directors of the Company is mainly based on the remuneration for the performance of their duties and the remuneration of directors and supervisors in accordance with the Company's Articles of Incorporation, which is negotiated based on the extent of their participation in and contribution to the Company's operations, and with reference to the prevailing domestic and international industry remuneration levels.																							
2. In addition to the information disclosed above, has any of the Company's directors received compensations for providing In addition to the information disclosed above, has any of the Company's directors received compensation for providing services (e.g. serving as a non-employee consultant) to any of the companies listed in this financial report in the most recent year: None																							

Note 1: The remuneration of the directors of the Company for FY110 was approved by the board of directors on March 31, 2021 and has not been paid as of the date of printing of the annual report.

Note 2: Including the rental fee of the Company's car.

Note 3: The actual amount of retirement pension paid in 2021 was NTD8,250,000 and the amount of contribution to retirement pension expense was NTD96,213 each.

Note 4: The Company's employee compensation for FY110 was approved by the board of directors on March 31, 2021 and has not been paid as of the date of printing of the annual report.

Note 5: Resigned on November 15, 2021.

Note 6: Resigned on June 26, 2021.

Note 7: Reassigned on May 12, 2021.

Note 8: Reassigned on May 12, 2021 and reassigned on June 17, 2021.

Note 9: Reassigned to a new appointment on June 17, 2021.

Note 10: Reassigned to a new term on September 23, 2021

Note 11: Resigned on July 26, 2021. * The compensation disclosed in this table is different from the concept of income under the Income Tax Act.

Levels of remuneration payable to each of the Company's directors

Levels of remuneration payable to each of the Company's directors	Name			
	A+B+C+D		A+B+C+D+E+F+G	
	The Company	All companies in the financial statements	The Company	All companies in the financial statements
<1,000,000	LO, WEI-CHE, HUANG, WEN-HUI, CHOU, CHENG-YU, KAO, FENG-CHI, TSAI, TSON-LUN, WANG, SHU-HUAN, CHANG, YI-SHUN, KUO, CHIN-BAO, WANG, SEN-RON, CHENG, SHUN-REN, Tong Chuang Co, HUNG, YA-MAN, YEH, CHIN-CHENG, FU, HSUEH-JEN	LO, WEI-CHE, HUANG, WEN-HUI, CHOU, CHENG-YU, KAO, FENG-CHI, TSAI, TSON-LUN, WANG, SHU-HUAN, CHANG, YI-SHUN, KUO, CHIN-BAO, WANG, SEN-RON, CHENG, SHUN-REN, Tong Chuang Co, HUNG, YA-MAN, YEH, CHIN-CHENG, FU, HSUEH-JEN	LO, WEI-CHE, HUANG, WEN-HUI, CHOU, CHENG-YU, KAO, FENG-CHI, TSAI, TSON-LUN, WANG, SHU-HUAN, CHANG, YI-SHUN, KUO, CHIN-BAO, WANG, SEN-RON, CHENG, SHUN-REN, Tong Chuang Co	LO, WEI-CHE, HUANG, WEN-HUI, CHOU, CHENG-YU, KAO, FENG-CHI, TSAI, TSON-LUN, WANG, SHU-HUAN, CHANG, YI-SHUN, KUO, CHIN-BAO, WANG, SEN-RON, CHENG, SHUN-REN, Tong Chuang Co
1,000,000~2,000,000				
2,000,000~3,500,000			FU, HSUEH-JEN	FU, HSUEH-JEN
3,500,000~5,000,000			HUNG, YA-MAN	HUNG, YA-MAN
5,000,000~10,000,000				
10,000,000~15,000,000			YEH, CHIN-CHENG	YEH, CHIN-CHENG
15,000,000~30,000,000				
30,000,000~50,000,000				
50,000,000~100,000,000				
>100,000,000				
Total	14 persons	14 persons	14 persons	14 persons

2. Remuneration for President, Vice President and the top five executives

Dec.31,2021 Unit: NT\$1000

Position	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C) (Note 2)		Employees' Remuneration (D) (Note 3)				Ratio of total compensation (A+B+C+D) to net profit after tax (%)		Whether the individual receives compensation from investees other than the Company's subsidiaries
		The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company	All companies in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash	Stocks	Cash	Stocks			
Chairperson and President	HUNG, YA-MAN	7,412	7,412	12,545	12,545	5,462	5,462	3,076	0	3,076	0	28,495 6.36%	28,495 6.36%	0
President	YEH, CHIN-CHENG(註 4)													
Vice President	FU, HSUEH-JEN													
Vice President	DU, GUAN-CHEN													
Vice President	TSAI, HSIU-HUA(註 5)													

Note 1: Retirement pensions are all contributions.

Note 2: Including the rental cost of the company's car.

Note 3: The Company's 2021 employee compensation was approved by the board of directors on March 31, 2022.

Note 4: Retired on June 14, 2021.

Note 5: Retired on June 6, 2021.

* The compensation disclosed in this table is different from the concept of income under the Income Tax Act, therefore, the purpose of this table is for information disclosure and not for taxation purposes.

Compensation Scale

Remuneration to the Company's President, Vice President and the top five highest paid executives	Names of the General Manager, Vice President and the top five executives	
	The Company	All companies included in the financial statements
<1,000,000		
1,000,000~2,000,000		
2,000,000~3,500,000	FU, HSUEH-JEN、DU, GUAN-CHEN	FU, HSUEH-JEN、DU, GUAN-CHEN
3,500,000~5,000,000		
5,000,000~10,000,000	TSAI, HSIU-HUA、HUNG, YA-MAN	TSAI, HSIU-HUA、HUNG, YA-MAN
10,000,000~15,000,000	YEH, CHIN-CHENG	YEH, CHIN-CHENG
15,000,000~30,000,000		

30,000,000~50,000,000		
50,000,000~100,000,000		
>100,000,000		
Total	5 persons	5 persons

3. The name of the manager who distributes the employee's remuneration and the distribution

	Title	Name	Stock	Cash (Note)	Total	Total amount as a percentage of net income after tax (%)
M a n a g e r s	Chairperson and President	HUNG, YA-MAN	0	794	794	0.18%
	President	YEH, CHIN- CHENG (Note 2)	0	363	363	0.08%
	Vice President	FU, HSUEH-JEN	0	794	794	0.18%
	Vice President	DU, GUAN- CHEN	0	794	794	0.18%
	Vice President And CAO	TSAI, HSIU- HUA (Note 3)	0	331	331	0.07%
	Accounting Manager	HUANG, WEN- HUI	0	463	463	0.10%

Note 1: The Company's 2021 employee compensation was approved by the Board of Directors on March 31, 2022, and the above figures are provisional estimates for this year.

Note 2: Retired on June 14, 2021.

Note 3: Retired on June 6, 2021.

(四) An analysis of the total compensation paid to the Company's directors, supervisors, general manager and deputy general manager as a percentage of net income after income tax for the most recent two years and an explanation of the policies, criteria and mix of compensation, the process of setting compensation, and the correlation with operating performance and future risks.

1. The ratio of the total remuneration paid to directors, supervisors, president and vice president of the Company to the net income after tax of individual financial statements for the last two years

Position	Total compensation against Percentage of net income after tax-2021		Total compensation against Percentage of net income after tax-2020	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	6.15%	8.44%	22.77%	22.36%
Supervisor (Note1)	-	-	-	-
President and Vice President	6.36%	8.71%	9.65%	9.65%

Note 1: The Company established an audit committee instead of a supervisor in 2017, so it is not applicable.

2. The Company's remuneration policy is set forth in the Company's Articles of Incorporation. The Company shall set aside not less than 2% of its annual net income before employees' and directors' remuneration as employees' remuneration and not more than 2% as directors' remuneration. However, if the Company has accumulated losses, the Company shall reserve the amount to cover the losses in advance. The procedures for setting the remuneration of the Company's directors and managers are based on the "Regulations Governing the Remuneration of Directors and Managers".

The Independent Director, who is independent in the execution of business and participates in corporate governance based on his or her duties, is paid a fixed remuneration. The compensation of directors is based on the performance of the Company's operations, future operations, and the value of their contributions to the Company's operations with reference to industry standards.

The overall compensation package consists of salaries, bonuses, employee compensation and benefits, which are based on the value of the manager's participation in and contribution to the Company's operations and the achievement of work objectives, and are paid with reference to industry salary levels to maintain overall competitiveness and ensure the Company's operational performance.

The Company has a Compensation and Benefits Committee, which regularly reviews and evaluates the performance evaluation and reasonableness of the remuneration of directors and managers, and makes timely adjustments in accordance with operating conditions and relevant laws and regulations. 2021 employee and director compensation distributions are reviewed by the Compensation and Benefits Committee and approved by the Board of Directors.

In addition to considering the future development of the Company's operations and operational risks, the Company has considered the amount of compensation, the method of payment and the future risks of the Company in order to strike a balance between sustainable operation and risk control.

III. Implementation of Corporate Governance

(1) Operations of the Board of Directors:

In the most recent year, the Board held 13 meetings (A). The attendance record of Directors is listed below:

Position	Name	Actual number of seats B	Attendance by proxy	Actual attendance rate (%) [B/A]	Note
Chairperson	Tong Chuang Co	13	0	100.00%	
	Rept: HUNG, YA-MAN				
Director	YEH, CHIN-CHENG	5	0	50.00%	Resigned on November 15, 2021 The actual number of attendance should be 10.
Director	FU, HSUEH-JEN	0	5	0.00%	Resigned on June 26, 2021 The actual number of attendance should be 6.
Director	Tong Chuang Co Rept: CHOU, CHENG-YU	0	2	0.00%	Inaugurated on May 12, 2021 Terminated on June 17, 2021 The actual number of attendance should be 2.
Director	Tong Chuang Co Rept: LO, WEI-CHE	13	0	100.00%	
Director	Tong Chuang Co Rept: HUANG, WEN-HUI	3	0	100.00%	Terminated on May 12, 2021 The actual number of attendance should be 3.
Director	Tong Chuang Co Rept: KAO, FENG-CHI	7	0	100.00%	Newly appointed on June 17, 2021 The actual number of attendance should be 7.
Director	Lien Chuang INC. Rept: TSAI, TSON-LUN	5	0	100.00%	Elected on September 23, 2021 The actual number of attendance should be 5.
Director	Lien Chuang INC. Rept: WANG, SHU-HUAN	5	0	100.00%	Elected on September 23, 2021 The actual number of attendance should be 5.
Independent Director	CHANG, YI-SHUN	5	0	83.33%	Resigned on July 26, 2021 The actual number of attendance should be 6.
Independent Director	KUO, CHIN-BAO	13	0	100.00%	
Independent Director	WANG, SEN-RON	13	0	100.00%	
Independent Director	CHENG, SHUN-REN	5	0	100.00%	Elected on September 23, 2021 The actual number of attendance should be 5.

Other items to be recorded:

- The operation of the Board of Directors shall specify the date and duration of the Board meeting, the content of the motion, all Independent Director's opinions and the Company's handling of the Independent Director's opinions if any of the following circumstances apply.

(1) Matters listed in Article 14-3 of the Securities and Exchange Act.

As the Company has established an Audit Committee, the matters listed in Article 14-5 of the Securities and Exchange Act are applicable and this item is not applicable.

(2) In addition to the foregoing, other matters resolved by the Board of Directors with the dissenting or qualified

opinion of the Independent Director and recorded or stated in writing.

Please refer to P47(12)

For the most recent year and as of the printing date of the annual report, the directors and Independent Director have dissenting opinions on important resolutions passed by the Board of Directors, which are recorded or stated in writing.2.In the case of recusal of a director from the implementation of an interest motion, the name of the director, the content of the motion, the reasons for recusal and the circumstances of participation in voting shall be stated. :

1. On February 2, 2021, the Board of Directors resolved to distribute the year-end bonus to the managers of the Company for 2020.
2. On May 27, 2021, the Board of Directors resolved to approve the pension payment for General Manager Yeh.
3. On May 27, 2021, the Board of Directors resolved to change the personnel of the President of the Company, and HUNG and YA-MAN recused themselves from voting on the case.

On November 12, 2021, the Board of Directors resolved to allocate the remuneration to the directors of the Company for 2020. The Chairman consulted with the directors present and no objection was raised. After the chairman consulted the directors present, the proposal was approved.

3. Listed companies should disclose information on the periodicity and duration, scope, method and content of the evaluation of the self- (or peer) evaluation by the board of directors, as well as the implementation status of the board evaluation:

Evaluation Period	Performed once a year
Evaluation Period	January 1, 2021 to December 31, 2021
Scope of Evaluation	Performance Evaluation of the Board of Directors, Individual Board Members, Audit Committee and Salary and Compensation Committee
Evaluation Method	Self-evaluation of the Board of Directors' performance, self-evaluation of individual directors' performance, self-evaluation of the Audit Committee's performance, and self-evaluation of the Compensation Committee's performance
Evaluation Content	1.Evaluation of the performance of the Board of Directors: participation in the Company's operations, improvement of the quality of decisions made by the Board of Directors, composition and structure of the Board of Directors, selection and continuing education of directors, internal control, etc. 2.Performance evaluation of individual board members: mastery of the Company's objectives and tasks, awareness of directors' responsibilities, participation in the Company's operations, internal relationship management and communication, directors' professionalism and continuing education, internal control, etc. 3.Performance evaluation of the Audit Committee: participation in the Company's operations, awareness of the Audit Committee's responsibilities, improvement of the Audit Committee's decision-making quality, composition and selection of Audit Committee members, internal control, etc. 4.Evaluation of the performance of the Compensation Committee: participation in the operation of the company, awareness of the responsibilities of the Compensation Committee, improvement of the quality of the decisions of the Compensation Committee, composition and selection of the members of the Compensation Committee, internal control, etc.
Implementation	The results of the performance evaluation of the Board of Directors for 2021 were reported to the Board of Directors on March 21, 2022.

IV.Evaluation of the independence of the certifying accountants:

(1) Certified Public Accountants: Ernst & Young Associates, Inc.

Certified Public Accountant: S.J. HUANG, CPA

Criteria	Y	N
1. The CPA has no direct or material indirect financial interest with the Company	V	
2. The CPA has not engaged in any financing or assurance activities with the Company or the Company's directors and supervisors.	V	
3. The CPA has not considered the possibility of client churn that would affect the audit of the Company.	V	
4. The CPA does not have close business relationships and potential employment relationships with the Company.	V	
5. The CPA does not receive contingent fees in connection with the audit.	V	
6. whether the CPA and the audit team members are not currently or in the last two years serving as directors, supervisors, or managers of the Company or in positions that have significant influence on the audit work	V	
7. The CPAs have not provided any non-audit services to the Company that directly affect the materiality of the audit.	V	
8. The CPA has not promoted or brokered any stock or other securities issued by the Company.	V	
9. The CPA has not acted as an advocate for the Company or coordinated conflicts with other third parties on behalf of the Company	V	
10. the CPA is not related to a director, supervisor, manager or other person who has significant influence on the audit	V	
11. The CPA has not retired as a director, supervisor, or manager of the Company, or as a person who has significant influence on the audit, within one year.	V	
12. The CPA does not hold a recurring position with the Company and receives a fixed salary.	V	
13. Whether the CPA is not involved in the Company's management function of making decisions	V	
14. The CPA has not been replaced for seven years as of the most recent audit.	V	
15. No disciplinary action has been taken against the CPA to date.	V	
13. whether the CPA is not involved in the management function of the Company's decision making	V	
14. As of the date of the most recent visa application, the CPA has not been replaced for seven years	V	
15. No disciplinary action has been taken against the CPA to date.	V	

(2) Certified Public Accountants: Ernst & Young Associates, Inc.

Certified Public Accountant: F.W. LEE, CPA

Criteria	Y	N
1.The CPA has no direct or material indirect financial interest with the Company	V	
2. The CPA has not engaged in any financing or assurance activities with the Company or the Company's directors and supervisors.	V	
3. The CPA has not considered the possibility of client churn that would affect the audit of the Company.	V	
4. The CPA does not have close business relationships and potential employment relationships with the Company.	V	
5. The CPA does not receive contingent fees in connection with the audit.	V	
6. whether the CPA and the audit team members are not currently or in the last two years serving as directors, supervisors, or managers of the Company or in positions that have significant influence on the audit work	V	
7. The CPAs have not provided any non-audit services to the Company that directly affect the materiality of the audit.	V	
8. The CPA has not promoted or brokered any stock or other securities issued by the Company.	V	
9. The CPA has not acted as an advocate for the Company or coordinated conflicts with other third parties on behalf of the Company	V	
10. The CPA is not related to a director, supervisor, manager or other person who has significant influence on the audit	V	
11. The CPA has not retired as a director, supervisor, or manager of the Company, or as a person who has significant influence on the audit, within one year.	V	
12. The CPA does not hold a recurring position with the Company and receives a fixed salary.	V	
13. whether the CPA is not involved in the Company's management function of making decisions	V	
14. The CPA has not been replaced for seven years as of the most recent audit.	V	
15. No disciplinary action has been taken against the CPA to date.	V	
13. Whether the CPA is not involved in the management function of the Company's decision making	V	
14. As of the date of the most recent visa application, the CPA has not been replaced for seven years	V	
15. No disciplinary action has been taken against the CPA to date.	V	

V.Assessment of the objectives of strengthening the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and their implementation in the current and most recent years.

- 1.Strengthening corporate governance: On March 30, 2021, the Board of Directors approved the establishment of a corporate governance officer to be responsible for corporate governance-related matters and to assist the directors in carrying out their duties in order to perform their supervisory functions, and on January 17, 2022, the Board of Directors approved the establishment of the "Code of Corporate Governance" and the principle of honest management.
- 2.Enhancement of information transparency: The Company's website has an "Investor Zone" to provide spokespersons and proxy spokespersons with contact information for shareholders to consult with the Company's financial and business-related information, and has also established and approved by the Board of Directors the "Procedures for Internal Material Information Handling, Prevention of Insider Trading Management and Insider Information Reporting".

(2) Information on the operation of the Audit Committee.

2021/1/1~2022/3/31 The Audit Committee met 9 (A) times, and the Independent Director attended the meetings as follows.

Title	Name	Actual attendance Number of times B	Attendance by proxy Number of times	Actual attendance rate (%) [B/A]	Note
Independent Director	CHANG, YI-SHUN	3	0	100.00%	Resigned on July 26, 2021 The actual number of meetings is 3
Independent Director	KUO, CHIN-BAO	9	0	100.00%	
Independent Director	WANG, SEN-RON	9	0	100.00%	
Independent Director	CHENG, SHUN-REN	5	0	100.00%	Elected on September 23, 2021 The actual number of meetings is 5

Other items to be recorded.

1. If the Audit Committee operates in one of the following circumstances, it shall state the date and period of the Board of Directors' meeting, the content of the motion, the results of the Audit Committee's resolution and the Company's handling of the Audit Committee's opinion.

(1) Matters listed in Article 14-5 of the Securities and Exchange Act.

Ses.	Time	Date	Content	Resolution
2	16	2021.03.29	1. The "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" for 2020. 2. To ratify the financial visa fee of Ernst & Young Associates for the second quarter of 2020 to the first quarter of 2021. 3. The Company's subsidiary, Kuoyang Environmental Technology Co., Ltd., provided an endorsement guarantee as a joint and several guarantor for a financing loan from Taichung Commercial Bank Co.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	17	2021.04.26	1. Ernst & Young LLP's financial reporting fee for the second quarter of 2021 to the first quarter of 2022.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	18	2021.05.14	1. The Company's accounting officer was changed.	In order to comply with the Code of Corporate Governance, the appointment and dismissal of the head of the Company shall be effective upon the date of the retirement of Mr. Huang, Wen-Hui as the representative of the Company's corporate director and the completion of the registration of the change. All members present at the meeting unanimously approved the proposal and submitted it to the Board of Directors for resolution.
2	19	2021.08.11	1. Consolidated financial report for the second quarter of 2021. 2. The Company's subsidiary, Fujian Taiming Casting Technology Co., Ltd. intends to extend its financing loan from a bank and the Company will act as a joint and several guarantor to provide endorsement guarantee.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	20	2021.09.23	1. The Company's subsidiary, Kuoyang Environmental Technology Co., Ltd. provided an endorsement guarantee for a financing loan from Yiyin Leasing (Co., Ltd.) as a joint and several guarantor.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	21	2021.11.08	1. The appointment of the audit supervisor of the Company. 2. The annual audit plan for 2022. 3. Proposed to issue the first guaranteed corporate bonds in 2022. 4. To apply for the first guaranteed credit line for 2022 from Bank of Taiwan, Chung-Ping Branch.	All members present unanimously approved; and submitted to the Board of Directors for resolution.

Ses.	Time	Date	Content	Resolution
2	22	2022.01.17	1. The Company and its subsidiaries evaluated the receivables for a period exceeding the normal credit term. 2. The Company's subsidiary, Guotron Engineering Co., Ltd. intends to obtain a loan from Wang Tao Bank and the Company will act as a joint and several guarantor to provide an endorsement guarantee. 3. The Company and its subsidiary, Chinachem International Co., Ltd. ("Chinachem"), intend to dispose of all the shares held by Shanghai Songjiang Huaqiao Modern Agriculture Co.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	23	2022.03.21	1. 2021 annual "Assessment of the effectiveness of the internal control system" and "Statement of internal control system". 2. To revise certain provisions of the Company's "Procedures for the Acquisition or Disposal of Assets".	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2	24	2022.03.31	1. The Company's 2021 annual report of operations, individual financial statements and consolidated financial statements. 2. The evaluation of receivables of the Company and its subsidiaries for a period longer than the normal credit period.	All members present unanimously approved; and submitted to the Board of Directors for resolution.

(2) In addition to the foregoing, other resolutions not approved by the Audit Committee and approved by two-thirds or more of all directors: None.

2.The Independent Director shall state the name of the Independent Director, the content of the motion, the reasons for recusal, and the circumstances under which the Independent Director participated in the vote.

3.The communication between the Independent Director and the internal auditors and accountants (including the major issues, methods and results of communication regarding the company's financial and business status).

(1) Communication between Independent Director and internal audit supervisor

- 1.The amendments to the "Internal Control System" and "Internal Audit Implementation Rules" of the Company were approved by the Audit Committee and submitted to the Board of Directors for approval.
2. The Company's "Annual Audit Plan" is approved by the Audit Committee and submitted to the Board of Directors for approval.
3. The Company shall annually evaluate the effectiveness of the design and implementation of the internal control system (by issuing a statement) and submit it to the Board of Directors for resolution with the approval of the Audit Committee.
4. The audit office of the Company shall send the audit report issued by the Company to the Independent Director for review on a monthly basis.
5. The Independent Director shall meet with the head of internal audit at least once a year to report and communicate on the status of the Company's internal audit and the operation of internal control, and to make audit reports on the internal control deficiencies and irregularities identified by the audit, and to follow up on the cases to ensure that the relevant units take appropriate improvement measures.
- 6.Independent Director may contact directly with the internal audit supervisor as necessary.
7. The following is a summary of the matters and situations that the Independent Director communicates with the audit supervisor in 2021:

Date	Communication Method	Content	Result
2021.03.29	Audit Committee	1.. Approved the "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" for 2020. 2. Audit report for October 2020-February 2021.	All members present agreed to approve and propose to the Board of Directors for resolution.
2021.04.26	Audit Committee	Audit Report for March 2021	The Board of Directors has no comments to make and submits its report.
2021.11.8	Audit Committee	1. Approved the appointment of our audit director 2. Approved the annual audit plan for 2022. 3.Audit report for April-September 2021.	All members present agreed to approve and propose to the Board of Directors for resolution.

2021.12.21	Seminar for the sole director and audit supervisor	1. Discuss 2021 of audit deficiencies. 2. Discuss the borrowing situation of KuoYang Leasing Company.	1. Independent director's recommendation: for the loan of RMB57 million from Marvel Line to Xiamen Kuoxin, we suggest Xiamen Kuoxin to propose a specific repayment plan. 2. Independent director's recommendation: In the case of the loan of RMB 60 million from First Bank Leasing, the parent company is recommended to repay the loan or increase the capital to assist Kuoyang Environment.

(2) Communication between the Independent Director and the accountant.

1. The Company's Audit Committee is composed of all Independent Directors, and the accountants are present quarterly to review or audit the Company's financial position and report to the Independent Directors, and to communicate fully on the impact of the amendments to the Act.
2. Summary of the matters and circumstances of communication between the Independent Director and the accountant in 2021

Date	Communication Method	Content	Result
2021.03.29	Audit Committee	The Company's financial statements for the year ended December 31, 2020 were audited by the Ministry of Finance.	All members present agreed to approve and propose to the Board of Directors for resolution.
2021.08.11	Audit Committee	The Company's second quarterly consolidated financial statements for 2021 were audited by the Ministry of Finance.	All members present agreed to approve and propose to the Board of Directors for resolution.

4. Annual Work Focus of the Audit Committee

In 20210, the Audit Committee will continue to monitor the Company in accordance with the "Audit Committee Organization Regulations" and the relevant laws and regulations, including

1. The fair presentation of the Company's financial statements.
2. The selection, independence and remuneration of the certified public accountants.
3. The effective implementation of the Company's internal controls.
4. The Company complies with relevant laws and regulations.
5. The Company establishes or amends procedures for the acquisition or disposal of assets, derivative transactions, lending of funds to others, and endorsement or guarantee of significant financial transactions in accordance with Article 36-1.
6. Significant lending, endorsing or guaranteeing of funds.

(3)Corporate Governance

3-1Head of Corporate Governance

As approved by the Board of Directors' Meeting on March 30, 2021, Mr. Chih-Cheng Wu, Director of Corporate Governance, has more than 3 years of experience in legal and other management positions in public companies to protect shareholders' rights and interests and strengthen the functions of the Board of Directors.

The Director of Corporate Governance is responsible for handling matters related to the board of directors' and shareholders' meetings, preparing minutes of the board of directors' and shareholders' meetings, assisting directors in their appointment and continuing education, providing information necessary for directors to perform their duties, and assisting directors in complying with laws and regulations.

The performance in 2021 was as follows:

1. Conducted board meetings and prepared minutes of board meetings in accordance with the law
2. Reviewing whether the Board of Directors' resolutions constituted a reissuance
3. Assisting directors in their further studies (all of which have been reported to the Market Observation Post System)
4. Assist in the shareholders' meeting procedures and compliance with resolutions
5. Pre-registration of shareholders' meetings, preparation of meeting notices, meeting manuals and minutes within the legal period, and registration of changes in the articles of incorporation or re-election of directors in accordance with the law
6. Promote the achievement of corporate governance indicators and review the score of each corporate governance evaluation.
7. Arrange communication between the Independent Director and the certified public accountant and internal auditor
8. Handle directors' and key employees' liability insurance matters

3-2 Corporate Governance Director Continuing Education

Position	Name	Date	Held by	Course	Hrs
Director of Corporate Governance	Chih-Cheng Wu	2021.08.31	TPEX	2021 Online Forum on Counter Trading Sustainability Upgrade	2h
Director of Corporate Governance	Chih-Cheng Wu	2021.10.18	TPEX	Briefing on insider shareholding of listed and emerging companies	3h
Director of Corporate Governance	Chih-Cheng Wu	2021.11.11	COSDA	Newly Released China Corporate Governance Blueprint 3.0 Introduction	3h
Director of Corporate Governance	Chih-Cheng Wu	2021.11.18	CSQ	ESG Leadership and Sustainable Governance Seminar	6h
Director of Corporate Governance	Chih-Cheng Wu	2022.03.24	ARDF	Global Corporate ESG Sustainability Trends and Management Strategies	3h
Director of Corporate Governance	Chih-Cheng Wu	2022.03.29	SFI	The Facts of Directors' and Supervisors' Breach of Trust and Special Breach of Trust	3h

3-3 The operation of governance of listed and listed companies and the differences between them and the code of practice on governance of listed and listed companies and the reasons thereof.

Evaluation Item	Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item
	Y	N	Description	
I. Has the Company formulated and disclosed the Code of Corporate Governance Practices in accordance with the Code of Corporate Governance Practices for Listed and OTC Companies?	V		The Company has established a Code of Corporate Governance Practices.	No difference
II. Shareholding structure and shareholders' equity of the Company				
(1) Has the Company established internal operating procedures to deal with shareholders' proposals, questions, disputes and litigation matters, and implemented them in accordance with the procedures?	V		(1) In order to ensure the rights and interests of shareholders, the Company has a spokesperson and a proxy spokesperson who are dedicated to properly handle shareholders' proposals, doubts and disputes. In the future, internal procedures will be established according to the needs and actual situation.	(1) No difference
(2) Does the Company have a list of the major shareholders and ultimate controllers of the major shareholders who effectively control the Company?	V		(2) The Company will provide information on the shareholders' register through the stock exchange agent and the insiders' shareholding change reporting system.	(2) No difference
(3) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	V		(3) The "Regulations Governing the Interactions of Group Companies, Specified Companies and Related Parties" and internal control-related procedures have been established in accordance with the Company's regulations.	(3) No difference
(4) Has the company established internal regulations to prohibit insiders from trading marketable securities using undisclosed information in the market?	V		(4) The Company has established procedures for the handling of material internal information, the management of prevention of insider trading and the reporting of insider information, and has established rules that do not violate the prohibition of insider trading.	(4) No difference
III. Composition and duties of the Board of Directors				
(1) Has the Board of Directors formulated and implemented a diversity policy regarding the composition of its members?	V		(1) The Company has established the Board of Directors' performance evaluation method, and has prepared and	(1) No difference

Evaluation Item	Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item
	Y	N	Description	
(2) Does the Company voluntarily set up various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?	V		implemented a diversity policy on the composition of the Board of Directors. (2) In addition to the establishment of the Compensation Committee and the Audit Committee in accordance with the law, the Company has established the "Code of Practice on Sustainable Development" and the "Organizational Procedures of the Sustainable Development Committee" and intends to establish a Sustainable Development Committee in 2022.	(2) No difference
(3) Has the Company established a method for evaluating the performance of the Board of Directors and how to evaluate it, and conducts performance evaluations annually and regularly, and reports the results of the performance evaluations to the Board of Directors for reference in the compensation of individual directors and their nomination for reappointment?	V		(3) The Company has established a method for evaluating the performance of the Board of Directors and its assessment method, and conducts performance evaluation annually and regularly. The results of the performance evaluation will be reported to the Board of Directors and used as reference for individual directors' salary and compensation and nomination for reappointment.	(3) No difference
(4) Does the Company regularly evaluate the independence of the certified public accountants?	V		(4) The Company regularly evaluates the independence of the certified public accountants on an annual basis.	(4) No difference
IV.Does the listed company have a suitable and appropriate number of corporate governance personnel and designate a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with laws and regulations, conducting board meetings and shareholders' meetings in accordance with the law, and preparing minutes of board meetings and shareholders' meetings, etc.)?	V		The Company has established the Management Department as a part-time corporate governance unit responsible for corporate governance-related matters, and the establishment of the Head of Corporate Governance was completed on March 30, 2021.	No material difference

Evaluation Item	Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons	Evaluation Item
	Y	N	Description	
V.Has the Company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), set up a stakeholders' area on the Company's website, and responded appropriately to important CSR issues of concern to stakeholders?	V		The Company has a spokesperson and a proxy spokesperson, and has established a stakeholder mailbox on the Company's website as a communication channel to respond appropriately to their concerns about important corporate social responsibility issues, and regularly announces financial and business information on the Market Observation Post System.	No difference
VI.Does the Company appoint a professional stockbroker to conduct shareholders' meetings?	V		The Company appointed Fubon Securities Co., Ltd. to act as the Company's share agent and conduct the stockholders' meeting.	No difference
VII. Information Disclosure				
(1) Has the Company set up a website to disclose financial and corporate governance information?	V		(1)The Company has set up a website to disclose relevant information at any time; and in accordance with the regulations of the competent authorities, the Company reports corporate governance information and various financial information on the Market Observation Post System. (http://www.kti.com.tw/)	(1) No difference
(2) Has the Company adopted other means of information disclosure (e.g., establishment of an English website, designation of a person responsible for the collection and disclosure of corporate information, implementation of a spokesperson system, placement of corporate presentation sessions on the Company's website, etc.)?	V		(2) The Company has designated a person responsible for the collection and disclosure of relevant information, and has a spokesperson and an acting spokesperson.	(2) No difference
(c) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year, and announce and report its first, second and third quarterly financial statements and monthly operations well in advance of the prescribed deadline?	V		(3) The Company's annual financial statements, the first, second and third quarterly financial statements, and monthly operations are reported on the Market Observation Post System (MOPS) of the TSE by the end of March of the following year, within 45 days of the end of each	(3) The notification was filed before the deadline

Evaluation Item	Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item																		
	Y	N	Description																			
			quarter, and by the 10th of the following month, respectively, in accordance with the Securities and Exchange Act and other relevant regulations. The Company has complied with the prescribed deadlines.	stipulated by the law.																		
VIII. Is there any other important information that can help you understand the operation of corporate governance (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholder rights, director and supervisor training, implementation of risk management policies and risk measurement standards, implementation of customer policies, and the company's purchase of liability insurance for directors and supervisors, etc.)?	V		(1) The Company has established an employee welfare committee, implemented a pension system, provided equal employment opportunities, conducted various employee training courses and employee group insurance, and arranged regular employee health checks to emphasize harmonious labor relations. (2) The Company has smooth communication channels with its suppliers and customers, and maintains a good relationship of mutual assistance and cooperation. (3) The Company discloses company information honestly and in accordance with the law to protect the rights and interests of investors and to fulfill its responsibilities to shareholders.	(1) No difference (2) No difference (3) No difference																		
			(4)Further education of company directors <table><tr><th>Position</th><th>Name</th><th>Date</th><th>Held by</th><th>Course</th><th>Hrs</th></tr><tr><td>Chairperson</td><td>HUNG, YA-MAN</td><td>2021.10.18</td><td>TPEX</td><td>Briefing on insider shareholding of OTC Xingtai Corporation</td><td>3h</td></tr><tr><td>Chairperson</td><td>HUNG, YA-MAN</td><td>2021.11.11</td><td>COSDA</td><td>Introduction to the newly released Corporate Governance Blueprint 3.0</td><td>3h</td></tr></table>	Position	Name	Date	Held by	Course	Hrs	Chairperson	HUNG, YA-MAN	2021.10.18	TPEX	Briefing on insider shareholding of OTC Xingtai Corporation	3h	Chairperson	HUNG, YA-MAN	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0	3h	(4) No difference
Position	Name	Date	Held by	Course	Hrs																	
Chairperson	HUNG, YA-MAN	2021.10.18	TPEX	Briefing on insider shareholding of OTC Xingtai Corporation	3h																	
Chairperson	HUNG, YA-MAN	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0	3h																	

Evaluation Item	Implementation Status (Note)						Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item	
	Y	N	Description						
			Chairperson	HUNG, YA-MAN	2021.11.24	TICA	Taiwan Leadership Seminar - Shipping and Economic Recovery	1.5h	
			Independent Director	KUO, CHIN-BAO	2021.08.31-2021.09.01	TPEX	2021 Over-the-Counter Sustainability Upgrade Online Forum	4h	
			Independent Director	KUO, CHIN-BAO	2021.11.11	COSDA	Newly Released Corporate Governance Blueprint 3.0	3h	
			Independent Director	WANG, SEN-RON	2021.11.10	SFI	2021 Key Issues	3h	
			Independent Director	WANG, SEN-RON	2021.11.10	SFI	Taiwan's Holding Company Operation Practices and Issues	3h	
			Independent Director	WANG, SEN-RON	2021.11.11	COSDA	Introduction to the Newly Released Corporate Governance Blueprint 3.0 in Taiwan	3h	
			Independent Director	CHENG, SHUN-REN	2021.08.23	Taiwan Corporate Governance Association	COVID 19 on Corporate Governance 3.0 and Directors' Obligations and Responsibilities	3h	
			Independent Director	CHENG, SHUN-REN	2021.09.28	Taiwan Corporate Governance Association	Corporate Governance and Trade Secret Protection	3h	
			Independent Director	CHENG, SHUN-REN	2021.09.28	Taiwan Corporate Governance Association	Corporate Governance 3.0 and Securities Law	3h	
			Independent Director	CHENG, SHUN-REN	2021.11.11	COSDA	Introduction to the Newly Released Corporate Governance Blueprint 3.0	3h	
			Director	LO, WEI-CHE	2021.11.05	SFI	2021 Annual Insider Trading Prevention Seminar	3h	

Evaluation Item	Implementation Status (Note)										Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item
	Y	N	Description									
			Director	LO, WEI-CHE	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0	3h				
			Director	KAO, FENG-CHI	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0	3h				
			Director	KAO, FENG-CHI	2021.12.08	COSDA	Board Compliance Practices and Legal Liability of Directors and Supervisors and Case Studies	3h				
			Director	KAO, FENG-CHI	2021.12.17	COSDA	Legal regulation and risk liability of directors and insiders under corporate governance	3h				
			Director	KAO, FENG-CHI	2021.12.22	DGA	Online Shareholders' Meeting and Board of Directors' Meeting Operation Practice	3h				
			Director	TSAI, TSON-LUN	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0 in China	3h				
			Director	TSAI, TSON-LUN	2021.12.08	ARDF	How Independent Directors can properly exercise their duties and responsibilities from the perspective of securities law responsibilities - Also on the Audit Committee	3h				
			Director	TSAI, TSON-LUN	2021.12.21	Taiwan Corporate Governance Association	Analysis of Directors' and Supervisors' Liability and Financial Misrepresentation Cases under the Securities and Exchange Act; Analysis of Directors' and Supervisors' and Key Staff Liability Insurance Coverage	3h				
			Director	TSAI, TSON-LUN	2021.12.22	ARDF	Financial Misrepresentation and Liability of Directors, Supervisors and Managers	3h				
			Director	WANG, SHU-HUAN	2021.11.11	COSDA	Introduction to the newly released Corporate Governance Blueprint 3.0	3h				

Evaluation Item	Implementation Status (Note)						Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item	
	Y	N	Description						
			Director	WANG, SHU-HUAN	2021.12.08	COSDA	Board of Directors' compliance practices and legal responsibilities of directors and supervisors and case studies	3h	
			(5)Internal training for company directors						(5)No difference
			Position	Name	Date	Held by	Course Name	Hrs	
			Accounting manager	HUANG, WEN-HUI	2021.12.23-2021.12.24	ARDF	Continuing Education Course for Accounting Supervisors of Issuing Securities Firms and Stock Exchanges	12h	
			Audit director	LIU, CHAN-FENG	2021.12.21-2021.12.23	IIA	Pre-employment Training Course for Initial Internal Auditors	18h	
			(6) The directors of the Company have recused themselves from the motions of interest in accordance with the Rules of Procedure of the Board of Directors as of the date of the publication of the Prospectus.						(6)No difference
			(7) The Company has taken out liability insurance for the directors and supervisors in the amount of US\$5,500,000.						(7)No difference
9. Please describe the improvements made in the results of the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation in the most recent year, and propose priorities and measures to enhance those that have not yet been improved.									
(1) For the 8th (2021) Corporate Governance Evaluation, the following improvements have been made:									
No.	Criteria							Status	
1.7	Does the company upload the shareholders' meeting manual and supplementary information to the shareholders' meeting 30 days before the regular shareholders' meeting?							Implemented	
1.8	Does the company upload its annual report 16 days before the general meeting?							Implemented	

Evaluation Item			Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons	Evaluation Item
			Y	N		
	1.9	Does the company upload the English version of the meeting notice 30 days before the regular shareholders' meeting?			Implemented	
	1.10	Will the Company upload the English version of the handbook and supplementary information before the 30th day of the ordinary shareholders' meeting?			Implemented	
	1.11	Does the company upload the English version of the annual report 7 days before the regular shareholders' meeting?			Implemented	
	2.1	Has the Company established a Code of Corporate Governance and approved by the Board of Directors?			Implemented	
	2.13	Do the members of the Compensation Committee attend at least twice a year and disclose information on the policies, systems, standards and structure of performance evaluation and compensation for directors, supervisors and managers?			Implemented	
	2.15	Does the Company disclose on its website the individual communications between the independent directors and the internal auditors and accountants (e.g., the manner, matters and results of communications regarding the Company's financial reports and financial and business conditions)?			Implemented	
	3.17	Does the company's website disclose financial, business and corporate governance information?			Implemented	
	4.9	Do the company's website and annual report disclose various employee benefit measures, retirement systems and their implementation?			Implemented	
(2) The Company's "Corporate Governance Review" results fell from 81% to 100% in 2020 and from 51% to 65% in 2021, and the following measures are expected to be implemented in 2022.						
Item	Criteria			Description of expected enhancement measures		
2.2	Has the Company established a policy on diversity of board members and disclosed the specific management objectives and implementation of the diversity policy on the Company's website			Expected to be disclosed in 2022 annual report		

Evaluation Item		Implementation Status (Note)		Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons	Evaluation Item
		Y	N	Description	
				and annual report?	
2.3	Are all of the company's interim financial reports approved by the Audit Committee and presented to the Board of Directors for discussion and resolution?			Expected to be executed in 2022.	
2.14	Does the company have a functional committee, such as a nominating committee, a risk management committee, or a sustainable development committee, that is not required by law, with at least three members, half of whom are Independent Directors, and more than one member with the required expertise, and disclose their composition, duties and operations?			Expected to be executed after the shareholders' meeting.	
2.17	Does the Board of Directors regularly (at least once a year) evaluate the independence of certified public accountants and disclose the evaluation procedures in the annual report?			Expected to be disclosed in 2022 Annual Report	
2.19	Is the actual attendance rate of all directors at the board meeting for the year under evaluation at least 85%?			The attendance rate of directors is expected to be increased in 2022.	
2.21	Does the Company have a corporate governance officer in charge of corporate governance-related matters, and does he/she explain the scope of his/her duties and training on the Company's website and in the annual report?			The Company established a corporate governance officer in 2021 and expects to enhance the disclosure of relevant information in the FY111 annual report.	
3.20	Does the company publish significant information in English simultaneously?			This has been implemented since 2022.	

(4) Compensation Committee Operation

(1) Compensation Committee Member Information

Title	Criterria	Professional qualifications	Independence (Note 1)	Number of members of compensation committees of other public companies	Note
	Name				
Independent Director	CHANG, YI-SHUN	At least five years of working experience in finance and accounting. Professional qualifications: CPA Experience: Chairman of the Board of Directors of Shun Tian Song Hao & Co. Kaohsiung Bank Co.Independent Director	Compliance with independence	1	Newly appointed on June 12, 2019 Resigned on July 26, 2021
Independent Director (Convenor)	KUO, CHIN-BAO	At least five years of legal work experience Professional qualification: lawyer Experience: LEGALWAY LAW FIRM 所長 SUNFAR COMPUTER CO., LTD.Independent Director	Compliance with independence	1	Newly appointed on June 12, 2019
Independent Director	WANG, SEN-RON	At least five years of legal work experience Professional qualification: lawyer Experience: Jing Dien Law Firm Managing Lawyer Biopark Technology, Inc Director	Compliance with independence	None	Newly appointed on June 12, 2019
Independent Director	CHENG, SHUN-REN	At least five years of working experience Professional qualifications: Lecturer in business, finance, accounting in public and private universities Experience: Cheng Shiu University Vice President TOP HIGH IMAGE CORP.Independent Director NAN REN LAKE LEISURE AMUSEMENT CO., LTD.Independent Director	Compliance with independence	2	Newly appointed on September 23, 2021

Note: Independent Director is eligible for independence, including but not limited to whether he/she, his/her spouse, or relatives within the second degree are directors, supervisors, or employees of the Company or its affiliated companies; the number and proportion of shares held by him/her, his/her spouse, or relatives within the second degree (or using the name of others); whether he/she is a director, supervisor, or employee of a company with a specific relationship with the Company (refer to Article 3.1.5~8 of the Rules Governing the Establishment and Compliance of Independent Directors); and whether he/she has provided the Company or its affiliated companies with commercial, legal, financial, and accounting information for the last two years. The amount of remuneration received from the Company or its affiliates for the provision of business, legal, financial and accounting services in the last two years.

(2) Information on the operation of the Compensation Committee

1. There are 3 members of the Compensation Committee of the Company.

2. The term of office of the current members: June 12, 2019 to June 11, 2022, 2021/1/1~2022/3/31 The Compensation Committee met 8 times (A), and the qualifications and attendance of the members are as follows.

Position	Name	Actual attendance Number of times (B)	Attendance by proxy	Actual attendance rate (%) (B/A)(Note)	Remark
Convenor	KUO, CHIN-BAO	8	0	100.00%	
Member	CHANG, YI-SHUN	5	0	100.00%	Resigned on July 26, 2021 Actually attend 3 times.
Member	WANG, SEN-RON	8	0	100.00%	
Member	CHENG, SHUN-REN	3	0	100.00%	Elected on September 23, 2021 Actually attend 3 times.

Other items to be recorded.

1.If the Board of Directors does not adopt or amend the recommendations of the Compensation Committee, it shall state the date and period of the Board of Directors' meeting, the content of the motion, the results of the Board of Directors' resolution and the Company's handling of the Compensation Committee's opinions (if the compensation approved by the Board of Directors is superior to the recommendations of the Compensation Committee, it shall state the circumstances of the difference and the reasons for the difference): None

2.If the members of the Compensation Committee have objections or reservations and there are records or written statements of such objections or reservations, they shall state the date and period of the Compensation Committee, the content of the resolution, the opinions of all members and the treatment of the opinions of the members.

Year	session	Date	Content	Resolution
4	12	2021.05.14	1. Accounting Executive Tsai, Vice President of the Management Department, is responsible for the payment of Hsiu Hua's pension. 2. To amend the "Regulations Governing the Remuneration of Directors and Officers" of the Company. 3. The Company's new Accounting Executive's remuneration case.	1. After thorough discussion, the resolution was reserved for further discussion at a recent meeting. 2-3. CHANG, YI-SHUN Independent Directors' Statement: These two motions are based on personnel matters, and the proposed amendment and establishment of the compensation system and salary, are the existing personnel rules and salary system of the Company inadequate? Are all the accounting executives applicable to the initial appointment? Since Vice President Tsai Hsiu Hwa's pension case is linked to these two motions, I hereby express my reservation in the resolution of the Compensation Committee and the Board of Directors. After the Chairman consulted all the members present, except for Independent Director Chang, who expressed his reservation, the rest of the members passed the resolution without any objection.

Note: (1) If a member of the Compensation Committee leaves the company before the end of the year, the date of leaving the company should be indicated in the Remarks column, and the actual attendance rate (%) should be calculated based on the number of meetings of the Compensation Committee and the actual attendance during his or her employment.

(2) If there is a re-election of the Compensation Committee before the end of the year, both the new and old members of the Compensation Committee shall be listed and the date of re-election shall be indicated in the Remarks column. The actual attendance rate (%) is calculated based on the number of meetings of the Compensation Committee and the actual attendance during the period of employment.

(5)Promotion of sustainable development and differences from the Code of Practice for Sustainable Development of listed and listed companies and reasons.

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies " and Reasons
	Y	N	Description	
I. Has the Company established a governance structure to promote sustainable development and set up a special (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and is the Board of Directors supervising the situation?		V	1. The Company has established the "Code of Practice for Sustainable Development" and the "Organizational Procedures of the Sustainable Development Committee", and the Management Department handles matters related to the promotion of sustainable development.	No material difference
II. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and formulate relevant risk management policies or strategies? (Note 2)	V		1.On March 21, 2022, the Board of Directors resolved to establish a "Code of Practice for Sustainable Development" and will review the effectiveness of its implementation on a regular basis. 2.The Company will follow the GRI guidelines to develop a materiality analysis method, determine major sustainability issues through six steps, and establish risk policies to effectively identify, measure, evaluate, monitor and control the identified material issues in order to reduce the impact of related risks.	No material difference
III. Environmental Issues (1) Has the company established a suitable environmental management system according to its industrial characteristics?	V		1. The Company has followed the labor health and safety regulations. 2. The Company has appointed a professional unit to conduct counseling operations, and expects to complete the greenhouse gas inventory (LCA) by the end of 2022 and to have it certified by an independent third-party notary.	No material difference
(2) Is the company committed to improving energy efficiency and using recycled materials with low impact on the environment?	V		1. The company's desalination plant pre-treatment sand filter uses 100% recycled glass as the filtering material, which can increase the filtered water volume by more than 30% compared with the general sand filter, i.e., save 30% of the pre-treatment filtering electricity, and save electricity for the blower when cleaning. The pre-processing bag filter equipment can be used 4~5 times with the national dosing-free process, which can save the use of filter bags and reduce the use of 75~80% compared to the general filter, which can reduce the energy consumption of filter material and further recycle the material. The combination of the filter saves 50% of the bag usage compared to the general filter design. 2. Our company DIP uses scrap iron as the main raw material.	No material difference
(3) Has the company assessed the potential risks and opportunities of climate change for the company now and in the future, and taken relevant measures in response?		V	The Company has not yet evaluated the potential risks and opportunities of climate change to the enterprise now and in the future, and will gradually take measures to respond to climate related issues in the future, and continue to pay attention to related issues, set targets and make improvements.	No material difference
(4) Has the company compiled statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, water use		V	1. The Company will calculate the 2021 GHG inventory and complete the GHG inventory inventory and report by itself since 2022, and complete the import of third-party certification at the	No material difference

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies " and Reasons
	Y	N	Description	
reduction or other waste management?			end of 2022 to ensure the integrity and credibility of the GHG inventory data.	
IV.Social Issues				
(1) Has the company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions?	V		In accordance with the Labor Standards Law and related labor laws and regulations, the Company has established relevant rules and regulations to provide management and employee compliance to protect the legal rights and interests of employees.	No material difference
(2) Does the Company establish and implement reasonable employee benefits (including salary, vacation and other benefits) and appropriately reflect business performance or results in employee compensation?	V		The Company has established work rules and related personnel management regulations, which cover the basic wages, working hours, leave, pension benefits, labor and health insurance benefits, and compensation for occupational accidents of the employees employed by the Company in accordance with the Labor Standards Law. The Company's compensation policy is based on the individual's ability, contribution to the Company, performance, and the correlation with business performance.	No material difference
(3) Does the Company provide a safe and healthy working environment for its employees and implement safety and health education for its employees on a regular basis?	V		The Company has established a labor safety and health code of conduct and holds regular employee health checks, and conducts labor safety promotion, fire drills and exercises for employees to maintain the safety of employees and suppliers.	No material difference
(4) Has the company established an effective career development training program for employees?	V		The Company has established effective professional training programs for its employees to enhance their career development capabilities.	No material difference
(5) Does the company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant policies and grievance procedures to protect the rights of consumers or customers?	V		Customer relationship management is an important part of sustainable business operation. In order to understand the valuable opinions of our customers, we use "Customer Satisfaction Survey Questionnaire" to facilitate customers' direct response to their opinions.	No material difference
(6) Does the company have a supplier management policy that requires suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the status of implementation?	V		When we purchase steel plates, we require our upstream suppliers to include a certificate of no radiation contamination with their shipments, and we strive to require our suppliers to comply with environmental protection and industrial safety.	No material difference
V.Has the Company made reference to international standards or guidelines for the preparation of reports, such as perpetual reports, which disclose non-financial information about the Company? Has the Company obtained any assurance or guarantee from a third party?		V	The sustainability report is expected to be completed by the end of September 2022 and third-party verification is planned for the end of November 2022.	No material difference
VI.If a company has its own code of conduct for sustainable development in accordance with the "Code of Conduct for Sustainable Development of Listed Companies", please describe the differences between its operation and the code: The Company's board of directors approved the formulation of the "Code of Conduct for Sustainable Development" on March 21, 2022, to strengthen the implementation of sustainable development. The Company will implement the Code in a gradual and orderly manner, taking into consideration the current situation of the Company and legal regulations, and there is no discrepancy.				
VII.Other important information to help understand the implementation of sustainable development :				
1. Sponsoring the diving board of Kaohsiung Diving Association - Kaohsiung has always been a key development county for diving, and has nurtured many excellent divers for Taiwan, which has been passed down to the fourth generation. A budget has been set aside to promote the development of diving. 2. Sponsorship of World Vision's School Sponsorship Program - In the 2021 the New Crown epidemic, the National Committee and World Vision have visited the disadvantaged families in Hualien				

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies " and Reasons
	Y	N	Description	
to see the needs and hopes. We will also set up a budget to promote the development of diving. We hope that through World Vision's schooling initiative, students in remote areas will be able to attend school with peace of mind (18 students), shorten the gap between urban and rural areas, and help families in need.				

Note 1: If "Yes" is checked for implementation, please specify the important policies, strategies and measures adopted and their implementation. If "No" is checked for implementation, please explain the differences and reasons for the differences in the "Differences from the Code of Practice for Sustainable Development of Listed Companies and Reasons for Differences" column, and explain the plans for future implementation of relevant policies, strategies and measures.

Note 2: The principle of materiality refers to environmental, social and corporate governance issues that have a significant impact on the company's investors and other stakeholders.

Note 3: Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(6) Performance of honest business practices and differences from the Code of Honest Business Practices of listed and listed companies and the reasons therefor:

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
I. Establishing policies and programs for honest management (1) Has the Company established an honest management policy approved by the Board of Directors, and has the policy and practices of honest management been clearly stated in the Articles of Incorporation and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the management policy?	V		(1) The Company's Board of Directors approved the "Code of Conduct for Honest Management" and "Procedures and Guidelines for Honest Management" on January 17, 2022, and the relevant matters are implemented in accordance with the Code, which serves as the commitment of the Company's Board of Directors and management to actively implement the management policy.	(1) No difference
(2) Has the Company established a mechanism to assess the risk of dishonest conduct, regularly analyze and evaluate the business activities within the scope of business that have a higher risk of dishonest conduct, and accordingly, formulate a plan to prevent dishonest conduct, and at least cover the preventive measures for the conducts mentioned in paragraph 2 of Article 7 of the "Code of Conduct for Listed Companies with Integrity"?	V		(2) The Company's "Procedures and Guidelines for Integrity Management Practices" are based on the precautionary measures related to the conduct in Article 7, Paragraph 2 of the "Code of Conduct for Integrity Management of Listed Companies" and require the relevant units to implement them.	(2) No difference
(3) Does the Company specify the operating procedures, guidelines for conduct, disciplinary and grievance systems for non-compliance in the dishonesty prevention program, and implement them, and regularly review and revise the previously disclosed program?	V		(3) The Company's "Procedures and Guidelines for Integrity Management" provide for the prevention of dishonest conduct, including procedures, guidelines for conduct, disciplinary actions and a complaint system for non-compliance.	(3) No difference
II. Integrity Management (1) Does the Company evaluate the integrity records of its business partners and specify the terms of integrity in the contracts signed between the Company and its business partners?	V		(1) The Company's "Code of Conduct for Integrity Management" and "Procedures and Guidelines for Integrity Management" stipulate that the Company must consider whether the counter-parties are involved in dishonest behavior before making business dealings and include compliance with the Company's policy on integrity management in the contract terms.	(1) No difference
(2) Has the Company established a dedicated unit under the Board of Directors to promote ethical corporate management and report to the Board of Directors on a regular basis (at least once a year) on its ethical management policies and plans to prevent dishonest practices and monitor their implementation?	V	V	(2) In addition to the audit unit under the Board of Directors, the Company has designated the management department and the legal department to act as special units for integrity management.	(2) No difference
(3) Does the Company have a policy on the prevention of conflict of interest, provide appropriate channels of representation, and implement them?	V	V	(3) Not yet established.	(3) No difference
(4) Has the Company established an effective accounting system and internal control system for the implementation of honest management, and has the internal audit unit prepared an audit plan based on the assessment results of the risk of dishonest acts, and checked the compliance of the dishonest act prevention plan accordingly, or has the Company appointed an accountant to perform the audit?	V		(4) The Company's accounting system is formulated with reference to the Securities and Exchange Act, the Company Act, the Business Accounting Act, the Guidelines Governing the Preparation of Financial Reports by Public Companies, the International Financial Reporting Standards approved by the Financial Supervisory Commission, the International Accounting Standards, Interpretations and Interpretations, and other relevant laws and regulations, and in accordance with the actual circumstances of the Company's business; the internal control system is formulated with reference to the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" and other relevant regulations. The internal control system is formulated with	(4) No difference

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?			reference to the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" and other relevant regulations, and is implemented. The audit department of the Board of Directors also regularly audits the compliance of the accounting system and internal control system and reports to the Board of Directors. (5) On October 15, 2021, the Company conducted an online meeting to educate managers and employees on the relevant laws and regulations, with the topic of "Analysis of Insider Trading Practices", and the class time was 120 minutes with 40 participants.	(5) The company will hold internal and external education and training on integrity management according to the actual needs.
III. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	V V V		(1) The Company designates the Management Department as the dedicated unit in the "Integrity Management Procedures and Conduct Guidelines" and encourages internal and external personnel to report dishonest acts or misconduct to the dedicated unit through various channels, and to be rewarded in accordance with the Employee Reward and Punishment Law depending on the severity of the report. (2) The Company shall set forth in the "Integrity Management Procedures and Conduct Guidelines" the record and preservation of the acceptance, investigation process, investigation results and related documents of the reported cases, and the identity of the reporter and the contents of the report shall be kept confidential. (3) The Company stipulates in the "Integrity Management Procedures and Guidelines" that the identity of the whistleblower and the content of the report shall be kept confidential, and the Company undertakes to protect the whistleblower from being improperly disposed of as a result of the report.	(1) No difference (2) No difference (3) No difference
IV. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS? 's website and MOPS?	V		Information about the "Code of Conduct for Integrity Management" and "Procedures and Conduct Guidelines for Integrity Management" has been disclosed on the Company's website and the Market Observation Post System.	No difference
V. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation: On January 17, 2022, the Board of Directors resolved to adopt the "Code of Conduct with Integrity". The operation of the Code is based on the "Code of Conduct with Integrity for Listed Companies" and is not materially different from the Code.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies: None.				

(7) If the Company has established a code of corporate governance and related regulations, it should disclose its inquiry methods:

The Company has established a "Code of Corporate Governance Practices" and related regulations to protect the rights of shareholders and

strengthen the duties of directors, etc. The relevant contents have been disclosed on the Market Observation Post System and the Company's website.

(8) Other important information that may be disclosed to enhance understanding of corporate governance operations: None.

(9) The implementation status of the internal control system.

1. Statement of Internal Control

Kuo Toong International Co., Ltd.
Statement of Internal Control System

Date: 2022/03/21

Based on the results of our self-assessment, we declare that our internal control system for the year ended December 31, 2020 is as follows.

1. The Company recognizes that the establishment, implementation and maintenance of an internal control system is the responsibility of the Board of Directors and the Manager of the Company and that the Company has established such a system. The purpose of the system is to provide reasonable assurance of the effectiveness and efficiency of operations (including profitability, performance and safety of assets), reliability of reporting, timeliness, transparency and compliance with relevant regulations and relevant laws and regulations.
2. The internal control system has inherent limitations. No matter how well designed, an effective internal control system can only provide reasonable assurance that the above three objectives will be achieved; moreover, the effectiveness of the internal control system may change as circumstances and conditions change. However, the Company's internal control system has a self-monitoring mechanism and once deficiencies are identified, the Company will take corrective action.
3. The Company determines the effectiveness of the design and implementation of the internal control system in accordance with the judgment items of the effectiveness of the internal control system stipulated in the "Guidelines Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Guidelines"). The judgment items of the internal control system adopted in the "Guidelines" are divided into five components based on the management control process: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. monitoring operations. Each component includes a number of items. Please refer to the "Guidelines for Handling" for the aforementioned items.
4. The Company has adopted the above internal control system judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
5. Based on the results of the preceding evaluation, the Company believes that the design and implementation of the Company's internal control system (including the supervision and management of subsidiaries) as of Dec. 31, 2021, including the understanding of the extent to which operational effectiveness and efficiency objectives are achieved, and the reporting of such internal control system is reliable, timely, transparent and in compliance with relevant regulations and relevant laws and regulations, is effective, and that it can reasonably (c) To ensure the achievement of the above objectives.
6. This statement will become the main content of the Company's annual report and public statement, and will be made public. If any of the above-mentioned contents are disclosed in a false or concealed manner, the Company will be subject to legal liability under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.
7. This statement was approved by the Board of Directors on March 21, 2022. Of the 8 directors present, 0 held opposing views and the rest agreed to the contents of this statement.

Kuo Toong International Co., Ltd.

Chairperson: HUNG, YA-MAN

General Manager: YEH, CHING-CHENG

2. If an accountant is appointed to review the internal control system, the accountant's review report should be disclosed: None.

(10) For the most recent year and as of the printing date of the annual report, the Company and its internal officers were punished by law, the Company's internal officers were punished for violating the provisions of the internal control system, major deficiencies and improvements: None.

(11) Major Resolutions of Shareholders' Meeting and Board Meetings:

Date	Meeting Type	Description
2021.02.02	Board	1. Approved the distribution of the year-end bonus to the managers of the Company for 2020.
2021.03.30	Board	1. Approved the "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" for 2020. 2. Approved the appropriation of remuneration to employees and directors of the Company for 2020. 3. Approved the Company's annual report of operations, individual financial statements and consolidated financial statements for 2020. 4. Approved the ratification of the financial statements of Ernst & Young, Inc. for the second quarter of 2020 and the first quarter of 2021. 5. The Company has approved the recognition of the financial reporting fee for the second quarter of 2020 to the first quarter of 2021. 6. Approved the establishment of the Corporate Governance Officer of the Company. 7. Approved the proposal to convene the 2021 Annual General Shareholders' Meeting. 8. Approved the amendment of some articles of the Company's Articles of Incorporation. 9. Approved the amendment of certain provisions of the Company's "Regulations for Election of Directors". 10. Approved to amend certain provisions of the Company's "Rules of Procedure for Shareholders' Meetings". 11. To adopt amendments to certain provisions of the "Rules of Procedures of the Board of Directors" of the Company. 12. To adopt amendments to certain provisions of the "Rules Governing the Organization of the Audit Committee" of the Company. 13. To approve the amendment of certain provisions of the "Organizational Rules of the Compensation Committee" of the Company. 14. Approved the amendment of certain provisions of the "Code of Ethical Conduct" of the Company. 15. Approved the ratification of the Company's subsidiary, Kuo Yang Environmental Technology Co., Ltd.'s financing loan from Taichung Commercial Bank Co.
2021.04.29	Board	1. Approved the appropriation of earnings for 2020. 2. Approved the cash dividend distribution 2020. 3. Approved Ernst & Young's financial statements for the second quarter of 2021 to the first quarter of 2022. 4. Approved the amendment of certain provisions of the Company's "Organization and Management Regulations". 5. Approved the amendment of the Company's "Standard Operating Procedures for Handling Directors' Requests". 6. To approve the amendment of the Company's "Regulations Governing the Retirement and Widow and Orphans' Pension Fund". 7. Approved the 2021 Annual General Shareholders' Meeting.
2021.05.14	Board	1. Approved the change of the Company's treasurer. 2. Approved the amendment of the "Regulations Governing the Remuneration of Directors and Officers" of the Company. 3. Approved the remuneration of the new treasurer of the Company.
2021.05.27	Board	1. Approved Vice President Tsai Hsiu Hwa's pension payment. 2. Approve the pension payment for General Manager, Ye Qing-zheng. 3. Approved the change of personnel of the President of the Company. 4. The date and place of the 110th Annual General Meeting of Shareholders was postponed.
2021.06.24	Board	1. Approved the appointment of spokesperson and acting spokesperson. 2. Approved the governance interaction with the important subsidiary "Fujian Taiming Casting Technology Co. 3. Approved the Company's application for financing loan from First Bank, Xiamen Branch.
2021.08.06	Board	1. Approved the by-election of directors and independent directors. 2. Approved the proposal to convene the second annual shareholders' meeting for 2021.

Date	Meeting Type	Description
2021.08.13	Board	1. Approved the consolidated financial report for the second quarter of 2021. 2. Approved the list of candidates for director (including independent director) nominated by the Board of Directors. 3. Approved the release of the Company's new directors and their representatives from the prohibition of competing for business. 4. Approved the extension of financing loan from a bank by Fujian Taiming Casting Technology Co. 5. Approved the disposal of 10% to 15% of the shares of Fujian Taiming Casting Technology Co.
2021.09.23	Board	1. Approved the evaluation of receivables of the Company and its subsidiaries for a period exceeding the normal credit term. 2. Approved the financing loan from a subsidiary of the Company, Kuo Yang Environmental Technology Co., Ltd. to a bank leasing company with the Company acting as a joint and several guarantor. 3. Approved the appointment of a compensation committee member.
2021.11.12	Board	1. Approved the appointment of our audit supervisor. 2. Approved the annual audit plan for 2022. 3. Approved the amendment of some provisions of the "Regulations Governing the Preparation of Financial Statements" of the Company. 4. Approved the first issuance of guaranteed common bonds in 2022. 5. Approved the application for the first guaranteed credit line for 2022 from the Chung Ping Branch of Bank of Taiwan. 6. Approved the distribution of directors' remuneration for 2020. 7. Approved the distribution of remuneration to the Company's managers for 2020.
2022.1.17	Board	1. Approved the proposal to allocate the year-end bonus to the managers of the Company for 2021. 2. Approved the amendment of the "Regulations Governing the Remuneration of Directors and Supervisors" of the Company. 3. Approved the establishment of the Company's "Code of Corporate Governance Practices". 4. Approved the establishment of the Company's "Code of Business Conduct with Integrity". 5. Approved to establish the Company's "Procedures and Conduct Guidelines for Integrity Management". 6. Approved the evaluation of receivables of the Company and its subsidiaries for a period longer than the normal credit period. 7. Approved the Company's subsidiary, Kuo Chuan Engineering Co., Ltd. to provide an endorsement guarantee to O Bank as a joint and several guarantor for the financing loan. 8. Disposal of all shares held by Shanghai Songjiang Huaqiao Modern Agriculture Co.
2022.03.21	Board	1. Approved the "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" for 2021. 2. Approved the "Rules Governing the Responsibilities of Independent Directors" of the Company. 3. Approved the "Guidelines for Directors' Development" of the Company. 4. Approved the "Code of Practice for Sustainable Development" of the Company. 5. Approved to establish the "Organizational Rules of the Company's Sustainable Development Committee". 6. Approved the amendment of some provisions of the "Procedures for the Acquisition and Disposal of Assets". 7. Approved the general election of directors. 8. Approved the proposal to convene the 2022 Annual General Meeting of Shareholders.
2022.03.31	Board	1. Approved the ratification of the independence of Ernst & Young's certified public accountants for 2021. 2. Approved the 2021 Annual Report on Operations, individual financial statements and consolidated financial statements of the Company. 3. Approved the 2021 Annual Earnings Distribution Statement. 4. Approved the 2021 annual distribution of employees' and directors' remuneration. 5. Approved the distribution of cash dividends from earnings for 2021. 6. Approved the nomination of directors (including independent directors) by the Board of Directors. 7. Approved the release of the Company's new directors and their representatives from the prohibition of competing for business. 8. Approved the 2022 Annual General Meeting of Shareholders. 9. Approved the evaluation of receivables of the Company and its subsidiaries for a period longer than the normal credit period. 10. 1 Approved the proposal of salary adjustment for managers.

(12) For the most recent year and as of the printing date of the annual report, the directors and independent directors have different opinions on important resolutions passed by the board of directors and have recorded or stated in writing.

DATE	MOTION CONTENT	RESOLUTION RESULT
2021.05.14	1. Accounting Executive Tsai, Vice President of the Management Department, is responsible for the payment of Hsiu Hua's pension. 2. To amend the "Regulations Governing the Remuneration of Directors and Officers" of the Company. 3. The Company's new Accounting Executive's remuneration case.	1. After thorough discussion, the resolution was reserved for further discussion at a recent meeting. 2-3. CHANG, YI-SHUN Independent Directors' Statement: These two motions are based on personnel matters, and the proposed amendment and establishment of the compensation system and salary, are the existing personnel rules and salary system of the Company inadequate? Are all the accounting executives applicable to the initial appointment? Since Vice President Tsai Hsiu Hwa's pension case is linked to these two motions, I hereby express my reservation in the resolution of the Compensation Committee and the Board of Directors. After the Chairman consulted all the members present, except for Independent Director Chang, who expressed his reservation, the rest of the members passed the resolution without any objection.

(13) Summary of the resignation and dismissal of the Chairman, President, Head of Accounting, Head of Finance, Head of Internal Audit, Head of Corporate Governance and Head of Research and Development of the Company.

Summary of resignation and dismissal of relevant personnel of the Company

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	YEH, CHIN-CHENG	2005.7.1	2021.6.14	Retirement
Vice President / Treasurer	TSAI, HSIU-HUA	2005.11.2	2021.6.6	Retirement
Head of Internal Audit	LEE, HSIAO-YIN	2006.8.1	2021.6.30	Resignation

Note: The term "company related persons" refers to the chairman, general manager, head of accounting, head of finance, head of internal audit, head of corporate governance and head of research and development.

(14) Review of the implementation of important resolutions at the 2021 Annual General Meeting.

1. Annual General Meeting

Time	Acknowledgement	Execution Scenarios
2021.07.22	1. To approve the distribution of 2020 earnings (\$0.25 per share).	The ex-dividend and ex-rights allotment date has been set as November 8, 2021, and cash dividends will be paid on November 30, 2021.
	2. To amend "Articles of Incorporation".	The amended Articles of Incorporation have been followed.
	3. To amend "Rules of Procedure of the Shareholders' Meeting" of the Company.	The amended rules of shareholders' meeting have been followed.
	4. To amend "Rules Governing the Election of Directors" of the Company	The revised method of election of directors has been followed.

2. Interim Shareholders' Meeting

Time	Acknowledgement	Execution Scenarios
2021.09.23	1. By-election of directors and independent directors.	The by-election was completed and the candidate took office on September 23, 2021.
	2. Release of the Company's new directors and their representatives from the prohibition of competing for office.	The results of the resolution have been followed.

IV.Information Regarding the Company's Audit Fee

(1) Audit Fee

Unit: NTD\$ thousand

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note 1)	Total	Note
Ernst & Young Taiwan	S.K. HUANG	F.W. Lee	2021	2,888	951	3,839	None

Note 1: The non-audit fees mainly include the fee for 2021 tax report, the fee for the preparation of 2021 transfer pricing report, the fee for the XBRL transfer, the fee for the first time guaranteed bond service in 2022, and the advance payment for business trip.

- 1.If the audit fee paid in the year of change of accounting firm is less than the audit fee in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: Not applicable.
- 2.If the audit fee decreased by 10% or more from the previous year, the amount, percentage and reason for the decrease should be disclosed: The audit fee decreased by 21.18% in 2021 compared to 2020 because the audit fee of \$570 thousand was paid to KPMG Taiwan in 2020 for the Q1 audit.
- (2) If the non-audit fees paid to the certified public accountant, the certified public accountant's firm and its affiliates amount to more than one-fourth of the audit fees, the amount of audit and non-audit fees and the content of non-audit services should be disclosed: None.
- (3) If the audit fee paid in the year of change of accounting firm is less than the audit fee in the year before the change, the amount of audit fee before and after the change and the reasons for the change should be disclosed: None.
- (4) If the audit fee has decreased by 10% or more from the previous year, the amount, percentage and reason for the decrease in audit fee should be disclosed: The decrease of 21.18% in audit fee in 2021 compared to 2020 is due to the payment of \$570 thousand to KPMG Taiwan for the audit fee in Q1 of 2020.

V.Replacement of CPA:

(1)Regarding the former CPA

Replacement Date	From April 1, 2020 (Approved by the Board of Directors on July 9, 2020)
Reason for Change and Explanation	To meet the internal management needs of the Group and to strengthen the international trend of corporate governance
The appointment was terminated or not accepted by the appointor or accountant.	NA
Audit reports other than unqualified opinions issued within the last two years	NA
Opinion and reasons	NA
Whether there is any disagreement with the issuer	NA

(2)Regarding the successor CPA

Name of Firm	Ernst & Young
Name of Accountant	S.K. HUANG, CPA and F.W. Lee, CPA
Date of appointment	From April 1, 2020 (Approved by the Board of Directors on July 9, 2020)
Matters on which we have consulted prior to the appointment regarding the accounting treatment or accounting principles for specific transactions and the possible issuance of opinions on financial reports and the results thereof	NA
Written opinion of the successor accountant on matters on which the predecessor accountant disagreed	NA

(3)The former accountant's response to Article 10, Paragraph 5, Items 1 and 2, Item 3 of the Guidelines Governing the Preparation of Annual Reports: None.

VI.The chairman, president, or manager in charge of financial or accounting matters of the Company has worked in the firm of the certified public accountant or its affiliated companies within the last year: None.

VII.Changes in the shareholding of directors, managers and shareholders holding more than 10% of the shares and pledges of shares in the most recent year and up to the date of printing of the annual report

(1) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: share

Title	Name	2021		As of April 11, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Tung-Chuang Enterprise Co., Ltd. Rept.:HUNG, YA-MAN	0	(600,000)	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.: LO, WEI-CHE	0	(600,000)	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.:LAO, FEN-CHI	0	(600,000)	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.: TSAI, TSON-LUN	3,546,000	0	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.:WANG, SHU-HUAN	3,546,000	0	0	0
Independent Director	KUO, CHING-PAO	0	0	0	0
Independent Director	WANG, SEN-JUNG	0	0	0	0
Independent Director	CHENG, SHUN-REN	0	0	0	0
President	HUNG, YA-MAN	0	0	0	0
Vice President	FU, HSUEH-JEN	(1,498,000)	0	(531,000)	0
Vice President	DU, GUAN-CHEN	(54,000)	0	(118,784)	0
Accounting manager	HUANG, WEN-HUI	0	0	0	0
Head of Governance	WU, CHI-CHENG	0	0	0	0

(2) Shares Trading with Related Parties: None.

(3) Shares Pledge with Related Parties: None.

VIII.Information on the top ten shareholders who are related to each other or are related to each other as spouses or second degree relatives

Unit: share

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		NOTE
	Shares	% (Note 3)	Shares	% (Note 3)	Shares	%	Name	Relationship	
HUNG, HUNG-CHANG	11,611,782	4.68%	8,798,389	3.55%	0	0%	Yu-lian Jiang HUNG, YA-MAN	Spouse brother and sister	None
Yu-lian Jiang	8,798,389	3.55%	11,666,782	4.68%	0	0%	HUNG, HUNG-CHANG HUNG, YA-MAN	spouse second degree of kinship	None
Huang, CHAO-CHU	7,747,495	3.12%	0	0.00%	0	0%	None	None	None
Tung-Chuang Enterprise Co., Ltd. Rept.: HUNG, YA-MAN	7,674,224	3.09%	-	-	0	0%	-	-	-
	19,261	0.01%	-	-	0	0%	HUNG, HUNG-CHANG Yu-lian Jiang	brother and sister second degree of kinship	None
YEH, CHIN-CHENG	7,600,329	3.06%	8,173	0.00%	0	0%	Yeh Yao-Wei	Father and Son	None
Lien Chuan INC. Rept.: Yu-lian Jiang	4,333,000	1.75%	-	-	0	0%	-	-	-
	8,798,389	3.55%	11,611,782	4.68%	0	0%	HUNG, HUNG-CHANG HUNG, YA-MAN	spouse second degree of kinship	None
Huang Fang-long	4,195,000	1.69%	0	0.00%	0	0%	None	None	None
Yeh Yao-Wei	3,602,417	1.45%	0	0.00%	0	0%	YEH, CHIN-CHENG	Father and Son	None
Zhu Qing-quan	3,337,623	1.35%	1,216,826	0.49%	0	0%	None	None	None
J.P. Morgan Chase Bank, Taipei Branch was entrusted with the custody of Van Garde	2,995,514	1.21%	-	-	0	0%	None	None	None

Note 1: All top ten shareholders should be listed, and the names of corporate shareholders and their representatives should be listed separately if they are corporate shareholders.

Note 2: The calculation of the percentage of shareholding refers to the percentage of shareholding in the name of oneself, one's spouse, one's minor children, or the use of others, respectively.

Note 3: The shareholders listed in the preceding paragraph include both legal and natural persons, and the relationship between them should be disclosed in accordance with the Guidelines Governing the Preparation of Financial Reports by Issuers.

Note 4: The percentage of shareholding is based on the total number of issued shares of 248,078,157.

IX. Ownership of Shares in Affiliated Enterprises

Dec.31,2021

Affiliated Enterprises (Note 1)	Unit	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
		Shares	%	Shares	%	Shares	%
Kuo Toong International Llc.	USD	680,000	100.00%	-	-	680,000	100.00%
Harbin Guotong Pipeline Co.	RMB	10,000,000	25.00%	-	-	10,000,000	25.00%
Siyu Seawater Desalination Co., Ltd.	Share	11,700,000	100.00%	-	-	11,700,000	100.00%
JIE MAO INTERNATIONAL CO., LTD.	Share	10,900,100	100.00%	-	-	10,900,100	100.00%
Shanghai Songjiang Huaqiao Modern Agriculture Co.	USD	1,546,000	10.42%	1,444,000	9.73%	2,990,000	20.15%
KUO YANG ENVIRONMENT TECHNOLOGY CO.	Share	-	-	244,194,858	100.00%	244,194,858	100.00%
Kuo Chuang Engineering Co., Ltd.	Share	-	-	6,000,000	100.00%	6,000,000	100.00%
KUO HSIN TECHNOLOGY CO., LTD.	Share	31,650,000	73.60%	4,070,000	9.47%	35,720,000	83.07%
CHIEN YI Construction Co., Ltd.	Share	17,000,000	100.00%	-	-	17,000,000	100.00%
MARVEL LINE CO., LTD.	Shares	183,488	0.76%	23,897,211	99.24%	24,080,699	100.00%
Xiamen Guoxin Century Technology Co., Ltd.	Shares	-	-	91,000,000	91.00%	91,000,000	91.00%
Fujian Taiming Pipe Casting Technology Co.	Share	152,500,000	43.57%	55,820,000	15.95%	208,320,000	59.52%
Yuan Steel Industrial Co.	Shares	2,000,000	4.55%	-	-	2,000,000	4.55%
Chimoto International Development Co.	Shares	3,000,000	18.07%	-	-	3,000,000	18.07%
TING TENG CO., LTD.	Share	75,924,714	50.50%	-	-	75,924,714	50.50%
Fujian Taiming Trading Co., Ltd.	RMB	-	-	5,000,000	100.00%	5,000,000	100.00%
Linwu Taiming Tube Casting Technology Co.	RMB	-	-	Note 2	-	Note 2	-
Xiamen Xiangyu Water Environmental Technology Engineering Co.	RMB	-	-	1,875,000	47.47%	1,875,000	47.47%
Xiamen Xiangyu Rural Environmental Ecology Technology Co.	RMB	-	-	650,000	30.86%	650,000	30.86%

Note 1: Long-term investment in the Company.

Note 2: As of Dec. 31, 2021, the company has not received the investment amount.

IV.Capital Overview

I.Capital and Shares

(1) Source of Capital:

1. Source of Capital

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
86.07	1,000	93,600	93,600,000	93,600	93,600,000	Cash capital increase of NT\$21,600,000	None	86.7.08 Eight six build two words Letter No. 75195 approved
88.07	10	40,000,000	400,000,000	18,000,000	180,000,000	Transfer of surplus to capital of NT\$42,588,000 Capital reserve to increase capital by \$13,572,000 Cash capital increase of \$30,240,000	None	88.8.20 Approved by (088) Commercial No. 088130969
89.07	10	40,000,000	400,000,000	28,500,000	285,000,000	Transfer of surplus to capital of NT\$101,700,000 Employee bonus to capital increase of NT\$3,300,000	None	89.7.18(89)TCC(1) No.62794 approved
90.06	10	40,000,000	400,000,000	31,800,000	318,000,000	Transfer of surplus to capital of NT\$31,635,000 Employee bonus to capital increase of NT\$1,365,000	None	90.6.28(90)TCC(1) No.141308 approved
91.07	10	40,000,000	400,000,000	34,980,000	349,800,000	Transfer of surplus to capital of NT\$31,800,000	None	91.7.18(91) Taiwan Finance Certificate (1) No. 0910140089 approved
92.06	10	80,000,000	800,000,000	44,980,000	449,800,000	Transfer of surplus to capital of NT\$95,000,000 Employee bonus to capital increase of NT\$5,000,000	None	92.6.19(92)Taishin Financial Certificate No.0920127148 approved
93.07	10	80,000,000	800,000,000	60,000,000	600,000,000	Transfer of surplus to capital of \$143,900,000 Employee bonus to capital increase of NT\$6,300,000	None	93.04.12 Approved by Taiwan Finance Certificate No. 0930112732
94.02	10	80,000,000	800,000,000	60,255,715	602,557,150	Cancellation of treasury stock of \$3,720,000 Convertible bonds convertible into common stock \$6,277,150	None	Approved by letter No. 0930133355 dated July 19, 93.
94.04	10	80,000,000	800,000,000	59,415,715	594,157,150	Cancellation of treasury stock \$8,400,000	None	94.02.22 Jin-Guan-Zheng-Zi No. 0940106408 approved
94.05	10	80,000,000	800,000,000	59,384,172	593,841,720	Cancellation of treasury stock of \$2,440,000 Convertible bonds convertible into common stock \$2,124,570	None	94.04.29 Jin-Guan-Zheng-Zi No. 0940114672 approved
94.10	10	80,000,000	800,000,000	60,294,172	602,941,720	Transfer of surplus to capital of \$7,100,000 Capital reserve to increase capital by NT\$2,000,000	None	94.09.09 The letter No. 0940137937 of the first letter of Golden Administrative Certificate was approved.
94.12	10	80,000,000	800,000,000	59,844,172	598,441,720	Cancellation of treasury stock of \$4,500,000	None	Dec. 2005.23 Jin-Guan-Zheng-Zi No. 0940158276 approved
96.04	10	80,000,000	800,000,000	66,844,172	668,441,720	Private Equity \$70,000,000	None	96.4.20 is the payment completion date 96.4.21 is the base date of capital increase
96.10	10	80,000,000	800,000,000	66,856,440	668,564,400	Convertible bonds converted to common stock \$122,680	None	96.8.30 is the base date for issuance of new shares
97.12	10	80,000,000	800,000,000	70,199,262	701,992,620	Transfer of surplus to capital of \$33,428,220	None	Approved by letter No. 0970060119 dated 11.11.97 from Jin-Guan-Zi No. 1
98.03	10	100,000,000	1,000,000,000	90,479,262	904,792,620	Private Equity \$202,800,000	None	98.4.21 Approved by the Letter No. 09801074470
99.07	10	150,000,000	1,500,000,000	110,479,262	1,104,792,620	Cash capital increase of NT\$200,000,000	None	Approved by letter No. 09901162640 on July 23, 99.
99.10	10	150,000,000	1,500,000,000	119,317,603	1,193,176,030	Transfer of surplus to capital of \$88,383,410	None	99.10.14 Approved by letter No. 09901230730
100.05	10	150,000,000	1,500,000,000	120,746,574	1,207,465,740	Convertible bonds convertible into common stock \$14,289,710	None	100.05.02 Approved by letter No. 10001081150
100.08	10	150,000,000	1,500,000,000	123,215,002	1,232,150,020	Convertible bonds convertible into common stock \$24,684,280	None	100.08.01 Approved by letter No. 10001173830

Month/ Year	Par Value	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
100.09	10	150,000,000	1,500,000,000	123,453,163	1,234,531,630	Convertible bonds convertible into common stock \$2,381,610	None	100.09.14 Approved by Letter No. 10001213130
100.10	10	150,000,000	1,500,000,000	135,146,079	1,351,460,790	Transfer of surplus to capital of \$116,929,160	None	100.10.13 Approved by the letter No. 10001235230
101.01	10	150,000,000	1,500,000,000	135,423,466	1,354,234,660	Convertible bonds convertible into common stock \$2,773,870	None	101.01.13 Approved by the Letter No. 10101008110
101.04	10	150,000,000	1,500,000,000	135,745,451	1,357,454,510	Convertible bonds convertible into common stock \$3,219,850	None	101.04.02 Approved by the letter No. 10101057570
101.07	10	150,000,000	1,500,000,000	136,282,095	1,362,820,950	Convertible bonds converted to common stock \$5,366,440	None	101.07.23 Approved by letter No. 10101147470
101.08	10	300,000,000	3,000,000,000	173,612,095	1,736,120,950	Transfer of surplus to capital of NT\$373,300,000	None	101.08.27 Approved by the letter No. 10101176380
102.05	10	300,000,000	3,000,000,000	173,734,394	1,737,343,940	Convertible bonds convertible into common stock \$1,222,990	None	102.05.06 Approved by letter No. 10201082610
102.08	10	300,000,000	3,000,000,000	173,775,160	1,737,751,600	Convertible bonds converted to common stock \$407,660	None	102.08.23 Approved by letter No. 10201172340
102.11	10	300,000,000	3,000,000,000	184,804,573	1,848,045,730	Convertible bonds converted to common stock \$110,294,130	None	102.11.28 Approved by the letter No. 10201239000
103.02	10	300,000,000	3,000,000,000	186,957,483	1,869,574,830	Convertible bonds convertible common stock \$21,529,100	None	103.02.20 Approved by the letter No. 10301030620
104.11	10	300,000,000	3,000,000,000	215,082,483	2,150,824,830	Cash capital increase of \$281,250,000	None	104.11.04 Approved by the Letter No. 10401232210
105.10	10	300,000,000	3,000,000,000	225,836,608	2,258,366,080	Transfer of surplus to capital of \$107,541,250	None	105.10.28 Approved by the letter No. 10501241940
108.08	10	300,000,000	3,000,000,000	245,836,608	2,458,366,080	Cash capital increase of NT\$200,000,000	None	108.09.05 Approved by the letter No. 10801122100
108.11	10	300,000,000	3,000,000,000	249,224,157	2,492,241,570	Transfer of surplus to capital of \$33,875,490	None	108.11.20 Approved by the letter No. 10801157850
109.08	10	300,000,000	3,000,000,000	248,078,157	2,480,781,570	Cancellation of treasury stock \$11,460,000	None	2020.08.12 Approved by Letter No. 10901143310

2. Type of Stock

Apr.11,2022 Unit: share

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary Shares	248,078,157	None	300,000,000	None

3. Omnibus reporting system-related information: Not applicable.

(2) Status of Shareholders.

Apr.11,2022

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	1	1	176	77	44,028	44,283
Shareholding (shares)	383	39,191	15,339,203	15,752,140	216,947,240	248,078,157
Percentage	0.00%	0.02%	6.18%	6.35%	87.45%	100.00%

(3) Shareholding Distribution Status.

Apr.11,2022

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	26,358	1,550,047	0.63%
1,000-5,000	12,788	26,928,067	10.86%
5,001-10,000	2,435	18,669,827	7.53%
10,001-15,000	850	10,559,663	4.26%
15,001-20,000	516	9,388,540	3.79%
20,001-30,000	480	11,919,311	4.81%
30,001-40,000	232	8,402,214	3.38%
40,001-50,000	146	6,748,330	2.72%
50,001-100,000	251	17,868,709	7.20%
100,001-200,000	131	18,371,583	7.40%
200,001-400,000	42	11,737,536	4.73%
400,001-600,000	19	9,487,760	3.82%
600,001-800,000	6	3,896,266	1.57%
800,001-1,000,000	4	3,674,160	1.48%
Above 1,000,001	25	88,876,144	35.82%
Total	44,283	248,078,157	100.00%

(4) List of Major Shareholders.

Name, amount and percentage of shareholders with at least 5% of the shares or the top ten shareholders with percentage of shares.

Apr.11,2022

Shareholder's Name	Shares	Ratio
HUNG, HUNG-CHANG	11,611,782	4.68%
Yu-lian Jiang	8,798,389	3.55%
Huang Chao-chu	7,747,495	3.12%
Tung-Chuang Enterprise Co., Ltd.	7,674,224	3.09%
YEH, CHIN-CHENG	7,600,329	3.06%
Lien Chuan INC.	4,333,000	1.75%
Huang Fang-long	4,195,000	1.69%
Yeh Yao-Wei	3,602,417	1.45%
Zhu Qing-quan	3,337,623	1.35%
J.P. Morgan Chase Bank, Taipei Branch was entrusted with the custody of Van Garde	2,995,514	1.21%

(5) Market Price, Net Worth, Earnings, and Dividends per Share.

Unit: NT\$

Item \ Year		2020	2021	As of March 31, 2022 (Note 6)
Market Price per Share (Note 1)	Highest Market Price	25.00	42.25	23.80
	Lowest Market Price	10.30	19.85	19.50
	Average Market Price	20.63	31.14	21.42
Net Worth per Share (Note 2)	Before Distribution	17.83	19.35	19.59
	After Distribution	17.58(Note 7)	18.85(Note 7)	19.09(Note 7)
Earnings per Share	Weighted Average Shares (many shares)	248,510	248,078	248,078
	Earnings per Share	0.50	1.81	0.04
Dividends per Share	Cash Dividends	0.25	0.50(註 7)	0.50(Note 7)
	Stock Dividends	Dividends from Retained Earnings	— (Note 7)	— (Note 7)
		Dividends from Capital Surplus	— (Note 7)	— (Note 7)
	Accumulated Undistributed Dividends		—	—
Return on Investment	Price / Earnings Ratio (Note 3)	41.26	17.20	535.50
	Price / Dividend Ratio (Note 4)	82.52	62.28	42.84
	Cash Dividend Yield Rate (Note 5)	1.21%	1.61%	2.33%

Note 1: The highest and lowest market prices of common stock for each year are listed, and the average market price for each year is calculated based on annual transaction value and volume.

Note 2: Based on the number of shares outstanding at the end of the year and the distribution resolved at the following year's shareholders' meeting.

Note 3: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 4: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 5: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Note 6: Net worth per share and earnings per share are based on information reviewed by the accountants.

Note 7: 2022.3.31 The Board of Directors approved the cash dividend of \$0.50 per share from the undistributed earnings for 2021, which will be presented to the shareholders' meeting on 2022.6.9.

(6) Dividend Policy and Implementation Status.

1 Dividend Policy.

The Company's Articles of Incorporation provide for the following dividend policy provisions.

Article 20-1: The Company is in the stage of corporate growth. Based on the operational needs of the Company and the consideration of maximizing shareholders' equity, the dividend distribution policy is to adopt a residual dividend policy. If there are any net profits in the annual accounts, they shall be distributed in the following order:

- (1) To make up for prior years' losses.
- (2) 10% of the legal reserve shall be set aside as legal reserve, except when the legal reserve has reached the Company's total capital.
- (3) To set aside or reverse the special reserve by decree or order of the competent authority.
- (4) The remaining balance of the shareholders' bonus after the amounts set forth in paragraphs 1 to 3, together with the undistributed earnings from previous years, shall be distributed by the Board of Directors after the resolution of the shareholders' meeting when the Board of Directors prepares a proposal for the distribution of earnings by issuing new shares. In accordance with Article 240(5) of the Company Act, the Board of Directors is authorized to distribute dividends and bonuses or all or part of the legal reserve and capital surplus required by Article 241(1) of the Company Act in the form of cash by a resolution of a majority of the

directors present, with at least two-thirds of the directors present, and to report to the shareholders' meeting. The distribution of earnings should be at least 15% of the distributable earnings. Cash dividends from the appropriation of earnings shall not be less than 20% of the total amount of dividends distributed in the year.

2. Implementation Status.

On Mar.31, 2022, the Board of Directors resolved to distribute cash dividends for fiscal 2021 and submitted the resolution to the shareholders' meeting on June 29, 2022. The appropriation of earnings for 2021, as resolved by the board of directors, was as follows.

Unit: NT\$

Item	Subtotal	Total	Remark
A Unallocated surplus at the beginning of the period		55,607,534	
Change in the current period in the remeasurement of the defined benefit plan	(1,161,061)		
B. Adjustments to unappropriated earnings at the beginning of the period		54,446,473	
C Net income after tax for the period		448,366,482	
D Provision of statutory surplus		(44,720,542)	Note 1
Reversal of special reserve set aside in prior years		(7,800,668)	Note 2
E Available for allocation surplus		450,291,745	
Assigned Items			
F Shareholders' bonuses - cash	(124,039,079)		Note3 and 4
Total number of allocated items		(62,019,540)	
G Unallocated surplus at the end of the period		55,607,534	

Description:

1. In accordance with the Ministry of Economic Affairs' letter No. 1090109, Economic and Trade No. 10802432410, starting from the appropriation of the Company's earnings in the 108 financial statements, the "current net income after tax plus the amount of items other than current net income after tax included in the current year's undistributed earnings" should be used as the basis for the legal reserve, and the current net income after tax of \$448,366,482 plus the remeasurement of the defined benefit plan The change in the current period \$1,161,061 multiplied by 10% resulted in a provision of \$44,720,542 for legal reserve for the current period.
2. In accordance with Jin-Guan-Zheng-Fa-Zi Order No. 1090150022, after the adoption of IFRSs for the preparation of financial statements, a special reserve of the same amount as the current period's profit or loss and the prior period's undistributed earnings should be provided for the net decrease in other shareholders' equity (e.g., exchange differences on the translation of financial statements of foreign operating companies, unrealized gain or loss on available-for-sale financial assets, etc.) that occurred in the current year. If there is a reversal of the net equity, the reversal of the special reserve may be used to distribute earnings. The net decrease in other shareholders' equity for the year was \$249,554,278, less the special reserve of \$241,753,610, which should be reversed to \$7,800,668 as earnings available for distribution.
3. In accordance with Article 20-1 of the Company's Articles of Incorporation, if dividends and bonuses are distributed in the form of cash payments, the Board of Directors is authorized to do so with the presence of at least two-thirds of the directors and the resolution of a majority of the directors present.

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4. Based on 248,078,157 shares outstanding as of the day before the board meeting, cash dividends of NT\$0.5 per share, i.e. NT\$500 per thousand shares, will be paid in the amount of NT\$124,039,079.

(7) The effect of the proposed gratis share placement at the shareholders' meeting on the Company's operating results and earnings per share: NA

(8) Compensation for employees, directors and supervisors.

1. The percentage or scope of remuneration for employees, directors and supervisors as set forth in the Articles of Incorporation.

If the Company makes a profit in a year, it shall appropriate not less than 2% of the remuneration of its employees and not more than 2% of the remuneration of its directors, provided that if the Company has accumulated losses, it shall retain the amount to cover such losses before making any appropriation.

2. The basis for estimating the amount of compensation to employees, directors and supervisors, the basis for calculating the number of shares for employee compensation distributed by stock, and the accounting treatment if the actual amount distributed differs from the estimated amount.

The Company uses the pre-tax net income before employees' and directors' compensation for the year ended December 31, 2021, and retains the balance of the loss recovery amount as the basis for estimating the amount of employees' and directors' compensation.

No employee compensation was distributed in stock during the period, so it is not applicable.

3. The Board approved the distribution of remuneration in the following circumstances.

(1) The amount of employees' compensation and directors' and supervisors' compensation distributed in cash or stock. If the amount differs from the amount estimated in the year in which the expense is recognized, the amount of the difference, the reason for the difference and the treatment of the difference should be disclosed.

The Board of Directors resolved to distribute employees' remuneration and directors' remuneration in the amount of \$11,799 thousand and \$5,899 thousand in cash, respectively, which differed from the estimated amount of the Company's expenses by \$0 thousand, respectively.

(2) The amount of employee compensation distributed in stock and its proportion to the total amount of net income after tax and total employee compensation in the individual financial statements for the period.

The Company's board of directors resolved on March 31, 2022 to distribute all employee compensation in cash, so it is not applicable.

4. The actual distribution of employee, director and supervisor remuneration (including the number of shares distributed, amount and share price) in the previous year, and the difference between the distribution and the recognition of employee, director and supervisor remuneration, as well as the amount of the difference, the reasons for the difference and the handling of the situation.

The actual distribution of employees' and directors' remuneration for the previous year was \$2,737 thousand and \$1,367 thousand, respectively, which differed from the estimated amount of the Company's expenses by \$2 thousand and \$0 thousand, respectively, and were treated as changes in accounting estimates and included in the adjustment to profit or loss for 2021.

(9) Buyback of Treasury Stock.

There were no repurchases of the Company's shares in 2021 and up to the date of printing of the annual report.

II. Corporate bonds (including overseas corporate bonds)

(1) Corporate Bonds

(1) Issued in 2019

Apr. 11, 2022

Corporate Bond Type		The first guaranteed general corporate bond in China
Issue date		April 2, 2019
Denomination		NT\$ 1,000,000
Issuing and transaction location (Note 2)		N/A
Issue price		Issue by denomination
Total price		NT\$ 250,000,000
Coupon rate		Fixed interest rate of 0.78% per annum
Tenor		3 years Maturity: April 2, 2022
Guarantee agency		Bank of Taiwan Co.
Consignee		First Commercial Bank Co.
Underwriting institution		Taiwan Bank Securities Co.
Certified lawyer		Yonghang Law Office
CPA		KPMG Taiwan SU, YEN-TA Accountant
Repayment method		The principal of the Bonds shall be repaid in one lump sum at maturity in accordance with Article 7 of the Issuance Agreement.
Outstanding principal		NT\$ 250,000,000
Terms of redemption or advance repayment		None
Restrictive clause (Note 3)		None
Name of credit rating agency, rating date, rating of corporate bonds		N/A
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A
	Issuance and conversion (exchange or subscription) method	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None
Transfer agent		N/A

Note 1: The status of corporate bonds includes public and private bonds in process. Public bonds in process refer to those that have been approved by the Board of Directors; private bonds in process refer to those that have been approved by the Board of Directors.

Note 2: For debtors of overseas companies.

Note 3: For example, restrictions on the payment of cash dividends, external investments or requirements to maintain a certain percentage of assets.

Note 4: The Company's debt was repaid on April 2, 2022.

(2) Issued in 2022

Apr. 11, 2022

Corporate Bond Type		The first guaranteed general corporate bond in China
Issue date		Jan. 11, 2022
Denomination		NT\$ 1,000,000
Issuing and transaction location (Note 2)		N/A
Issue price		Issue by denomination
Total price		NT\$ 250,000,000
Coupon rate		Fixed interest rate of 0.63% per annum
Tenor		3 years Maturity: Jan. 11, 2025
Guarantee agency		Bank of Taiwan Co.
Consignee		JIHSUNBANK
Underwriting institution		Taiwan Bank Securities Co.
Certified lawyer		Far Eastern United Law Firm
CPA		Ya-wen Chiu, Attorney at Law
Repayment method		The principal of the Bonds shall be repaid in one lump sum at maturity in accordance with Article 7 of the Issuance Agreement.
Outstanding principal		NT\$ 250,000,000
Terms of redemption or advance repayment		None
Restrictive clause (Note 3)		None
Name of credit rating agency, rating date, rating of corporate bonds		N/A
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A
	Issuance and conversion (exchange or subscription) method	None
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None
Transfer agent		N/A

Note 1: The status of corporate bonds includes public and private bonds in process. Public bonds in process refer to those that have been approved by the Board of Directors; private bonds in process refer to those that have been approved by the Board of Directors.

Note 2: For debtors of overseas companies.

Note 3: For example, restrictions on the payment of cash dividends, external investments or requirements to maintain a certain percentage of assets.

(2) Convertible Bonds: None.

(3) Exchangeable Bonds: None.

(4) Omnibus reporting of issuance of corporate bonds: None.

(5) Information on bonds with stock options: None.

III. Application for the special shares: None.

IV. Global Depository Receipts: None.

V. Employee Stock Options: None.

VI. Issuance of New Restricted Employee Shares: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Financing Plans and Implementation:

(1)The first domestic 2022 secured ordinary corporate bonds

1.Date of approval by the competent authority:

January 4, 2022, Securities and Futures Bureau Bond No. 11000144201.

2. Total capital required for this project: NT\$250,000 thousand.

3. Source of funds:

The first domestic guaranteed corporate bonds for the year 2022, each with a face value of NT\$1 million for a period of three years and a coupon rate of 0.63%, for a total amount of NT\$250,000,000.

4. Planned projects and scheduled capital utilization progress

Unit: NTD thousands

Project	Scheduled Completion Date	Total Funds Required	Progress of the scheduled use of funds
			2022 Q2
Repayment of the first guaranteed corporate bonds in 2019	2022 Q2	250,000	250,000
Expected to generate benefits	To improve the financial structure and strengthen the medium and long-term working capital, and to save interest expenses.		

5. Implementation: The issuance of three-year fixed-rate secured common bonds was completed on January 11, 2022, and the total amount raised was \$250,000 thousand, which was used to repay the 2019 first secured common bond in April 2022. The operation mat lock in medium and long-term capital costs, reduce interest rate fluctuations and financial adjustment risks, as well as improve financial structure, enhance debt servicing capacity and reduce borrowing dependence of financial institutions. In addition, the Company will improve its financial structure, enhance its solvency and reduce its dependence on financial institutions for borrowings. Based on the interest rate of 0.78% for the proposed repayment of common bonds less the coupon rate of 0.63% for the bonds, it is estimated that the interest expense can be saved by approximately \$281 thousand in 2022 and \$375 thousand in each subsequent year.

V.Operational Highlights

I.Business Activities

(1) Business Scope.

1. The business of the Company is as follows.

- (1) Cement manufacturing industry.
- (2) ready-mixed concrete manufacturing industry.
- (3) Cement and concrete products manufacturing industry.
- (4) Steel rolling and extrusion industry.
- (5) Steel secondary processing industry.
- (6) Valve manufacturing industry.
- (7) Other machinery manufacturing industry.
- (8) Water mains contractors.
- (9) Cold work engineering industry.
- (10) Wholesale of water distributor materials.
- (11) Fuel conduit installation works.
- (12) Machinery and equipment manufacturing industry.
- (13) Other machinery manufacturing industry (hydraulic machinery and spare parts manufacturing and processing industry).
- (14) International trade industry.
- (15) Sporting goods manufacturing industry.
- (16) Coal and coal products wholesale industry.
- (17) retail trade of petrochemical raw materials.
- (18) Machinery installation industry.
- (19) Water treatment engineering industry.
- (20) Electrical installation industry.
- (21) Environmental protection engineering professional construction industry.
- (22) underground pipeline engineering professional construction industry.
- (23) sand and gravel and silt sea dumping industry.
- (24) Dredging.
- (25) Structural steel design and fabrication and cold-working engineering.
- (26) Steel casting industry.
- (27) Waste (sewage) water treatment.
- (28) In addition to the permitted business, the Company may conduct business that is not prohibited or restricted by law.

2. Revenue distribution.

Main Products \ Annual	Percentage of revenue	
	2021	2020
Merchandising	55.82%	67.38%
Contracting	33.22%	24.61%
Marine Freshwater and Wastewater Treatment	6.04%	3.41%
Other	4.92%	4.60%
Total	100.00%	100.00%

3. Main products.

- (1) Steel-lined pre-stressed concrete pipe (PCCP).
- (2) Steel-free lined pre-stressed concrete pipe (PSCP).
- (3) Steel Lined Concrete Pipe (RCCP).
- (4) General concrete pipe (RCP)
- (5) Concrete pipe for pushing in (JCP).
- (6) Ductile cast iron tube (DIP).
- (7) Ductile cast iron fittings (DI another part).
- (8) pre-force beams, pre-cast pre-force concrete box culverts, sewer manholes, submerged shield ring pieces, and track slabs.
- (9) Other cement products.
- (10) Coated steel pipe (SP) for water transmission.
- (11) Push-in steel pipe (WSP).
- (12) Stainless steel pipe.
- (13) Polyethylene internal and external covered steel pipe (SPE) and other parts.
- (14) can be bent tube.

- (15) Predynamic tube connectors.
- (16) Submarine pipeline with mineral sand concrete counterweight clad steel pipe.
- (17) Planning, manufacturing, installation and complete plant export of steel lined pre-force concrete pipe machinery and equipment.
- (18) Various steel connectors.
- (19) Desalination of seawater.
- (20) Large diameter stainless steel filter tube.

4. New products development.

- (1) engineering construction machinery and equipment research and development and manufacturing.
- (2) Design, manufacture, construction and equipment development of large diameter reservoir dredging pipes.
- (3) Seawater-derived products.
- (4) Desalination technology and energy-saving facilities.
- (5) Water treatment technology and equipment.
- (6) Valves.
- (7) Gate.
- (8) Ductile cast iron derivative products.
- (9) Wear-resistant material of the pipe.
- (10) Large diameter push-in steel pipe (WSP).

(2) Industry Overview.

(1) Current Status and Future Development

The main products include various kinds of concrete pipes, ductile cast iron pipes, steel pipes, steel fittings and other kinds of pipes and the installation of these pipes. (hereinafter referred to as "Siyu Seawater Desalination Co., Ltd."), JIE MAO INTERNATIONAL CO. (hereinafter referred to as KUO HSIN TECHNOLOGY CO., LTD.), CHIEN YI Construction Co. Guoxin Century Technology Co., Ltd. (hereinafter referred to as Xiamen Guoxin), Fujian Taiming Pipe Casting Technology Co. International LLC. (hereinafter referred to as Fujian Taiming Pipe Casting Technology Co., Ltd.) and Kuo Toong International LLC. Among them, West Island and Guotron are mainly engaged in the operation of water supply and its piping projects; Guoxin is mainly engaged in the operation of water supply and the manufacture of chemical materials; Guoyang is mainly engaged in the construction and operation management of urban sewage systems (including treatment plants, pipelines and customer take-over); Xiamen Guoxin is mainly engaged in the design, development, manufacture and wholesale of equipment and materials for wastewater treatment projects; Fujian Taiming The Company and its subsidiaries (hereinafter referred to as the Group or Kuo Toong Group) are mainly engaged in the research and development and manufacturing of various water and wastewater pipe fittings and fine casting products, while Jie Mao Company, Kiso Company and Kuo Toong International Llc. are mainly Investment Company. Therefore, the industrial profiles of the Company and its subsidiaries (hereinafter referred to as the Group or Kuo Toong Group) are as follows The following is an overview of the industries in which the Company and its subsidiaries (hereinafter referred to as the Group or the Kuo Toong Group) operate

A. Water treatment works

The water treatment project mainly consists of three parts: clean water, wastewater and recycled water, and includes the construction of related connection lines in addition to the treatment plant itself, as well as the subsequent operation and management.

1. Water purification treatment: In line with the various water development projects, there is a continuous demand for the installation of water purification fields. For example, the Hushan water purification field will be built in conjunction with the Hushan Reservoir; the Fengyuan and Caotun water purification fields will be built in conjunction with the artificial lake project of Tiaozui Lake.

In order to enhance the water supply or improve the function of existing equipment, there are also related projects, such as the improvement project of Feng Yuan No. 2 Field Phase I and the construction of Houli Water Treatment Plant.

In conjunction with the development of the vadose water source, the use of AUFM filter media will facilitate the removal of iron and manganese.

2. Sewage treatment: With the progress of civilization, human beings are more and more demanding of living environment conditions, and a perfect sewage system is one of the important indicators. The Lausanne Institute of Management in Switzerland uses "public sewerage penetration rate" as an indicator of "health and environment" when evaluating the competitiveness of a country, therefore, improving the overall sewage treatment rate will help improve the image and competitiveness of the country. The Ministry of the Interior has been proposing the

"Six-Year Sewerage Construction Plan" since 1992, and completed the fifth phase of the six-year construction plan in 2020. In July 2020, the Executive Yuan approved the sixth phase of the construction plan from 2021 to 2026 years, with a planned investment of 106.8 billion dollars, hoping to increase the public sewerage penetration rate from 36.17% to 46% and the overall sewage treatment rate from 55.9% to 72%.

3. Reclaimed water treatment: Global warming caused by the greenhouse effect and extreme climate have aggravated the problem of droughts and floods, and energy saving, carbon reduction and water shortage need to be addressed. Public wastewater treatment plant discharge water has the characteristics of stable water quantity and relatively pure water quality, and has a higher potential for utilization, making it a reclaimed water source of economic scale. In accordance with the Executive Yuan's approved "Public Sewage Treatment Plant Drainage Water Recycling Demonstration Project", the public sewage treatment plants will be gradually promoted to produce recycled water for use by neighboring high water-consuming industries.

B. Pipe fabrication and assembly

Pipe manufacturing is engaged in the design, manufacture and sales of concrete pipes, ductile cast iron pipes and steel pipes for water transmission trunk pipes, sewage discharge pipes and rainwater discharge pipes; pipe installation includes pipe installation, contracting and implementation of water diversion systems, water distribution systems, industrial area water diversion systems, sewage and rainwater sewer systems, etc. Among them, water diversion projects, water diversion projects, sewage and rainwater sewer systems are mostly public projects promoted by the government. Most of the projects are public projects promoted by the government, and government agencies, in order to ensure the quality of the projects and control the construction progress, often adopt a joint contracting system, in which various pipe manufacturers, pipe contractors and civil engineering contractors jointly contract various related projects.

The construction sites promoted by the government for pipe installation are located all over the country, and the process of pipe installation needs to overcome various topographical and geological constraints, so the pipe installation requires professional pipe installation technology and site management capabilities, and the ability to integrate different areas of third parties to meet the owners' requirements for project progress and quality. The Group is one of the few companies in China that has the ability to manufacture large diameter water pipes, install and integrate with other third parties.

The water distribution, water conveyance, water diversion in industrial areas, sewage and rainwater sewerage systems are important indicators of the country's economic growth and sustainable quality of life, and are the basic projects of national public works and the most important infrastructure projects for people's livelihood. However, the distribution of water resources in Taiwan is inherently uneven, so water shortages often occur in some areas, and the concentration of economic development in some regions has caused a rapid increase in water demand in some areas. The pipe manufacturing industry produces various kinds of pipes for transmission, which are used in these water supply systems and other projects. Therefore, pipe manufacturing and installation is a basic industry for people's livelihood and an important industry for improving people's quality of life and promoting domestic economic development.

In terms of the overall pipe manufacturing and contracting market, there are many companies engaged in the production of concrete pipes or cast iron pipes, most of which are of small to medium size and can only produce small diameter and low end concrete pipes or cast iron pipes as shown in the membership list of the Taiwan Cement Industry Association. The Group has a complete industrial structure and can produce large diameter concrete pipes, steel lined pre-stressed concrete pipes, steel pipes and ductile cast iron pipes, and is one of the few professional pipe manufacturers and contractors in Taiwan.

In order to increase the water supply capacity and ensure the quality and stability of water supply, the Ministry of Economic Affairs promotes the following public works on water resources such as information on related projects.

Unit: NT\$ thousands

Project	Summary	Total budget
Outlying Islands Water Supply Improvement Project Phase 2 (2019-2024)	1. Penghu Regional Groundwater Conservation Management Project (NT\$57 million). 2. Dredging and improvement of lakes and reservoirs in the Kinmen area. (NT\$125 million). 3. Kinmen cross-sea bridge with water mains (NT\$120 million). 4. Improvement works for the diversion of raw water from lakes and reservoirs in the Kinmen area (NT\$101 million). 5. Groundwater Conservation Management Project in Kinmen (NT\$35 million). 6. Upgrading of water supply facilities in Matsu (NT\$104 million).	542,000
Construction of Houli No.1 Water Treatment Plant and North-South Raw Water Pipeline Project	In line with the development of Houli Base in the third phase of the Central Taiwan Science Park and the medium-term water supply support for Taichung Base, the first Houli Water Treatment Plant was set up in accordance with the "Houli Base and Support for Taichung Base Water Supply Plan". The main tasks are 1. construction of a water purification field with a capacity of 200,000 CMD and a maximum of 260,000 CMD. 2. Ø2600-DIP pipeline 720M and its auxiliary equipment. - Ø2000-DIP pipeline 610M and its auxiliary equipment.	2,867,865
Backup Mobilization Trunking Project (2021-2025)	In recent years, water demand has been growing in various regions of Taiwan due to industrial upgrading and the return of However, water development plans in New Taipei City and Chiayi County and City are still under review and no suitable development plans are in place. Considering that there is still ample water in the surrounding areas, the construction of a water source control main should be Considering that there is still ample water in the surrounding areas, the water source control main should be undertaken to satisfy the water needs of industrial development in a timely manner. To reinforce the resilience of Taiwan's water supply, the Executive Yuan has stepped up the stability of water supply in normal times and the flexibility of response in times of disaster so that the people's livelihood can be maintained and the economy The Executive Yuan has stepped up the stability of water supply in normal times and the flexibility of response in times of disaster so that the people's livelihood can be maintained and the economy revived. The main tasks include: 1. Shulin District Zhongzheng Road and Da'an Road Pipeline Project; 2. Sanxia Hengxi Jiaying water conduit bridge project; 3. Piping works from Fuzhou booster pump station to Banxin plant; 4. Double-line project from Danan system to Guishan/Linkou; 5. Backup pipeline works at Paochung Road, Hsinpu Township; 6. Liyutan second water delivery pipe project; 7. Ring and buried trunk pipe project at Fengyuan Avenue; 8. Burial of pipelines under the overhead corridor of the Taichung elevated railway; 9. water supply district No. 3 Xiangshun Road water delivery piping project; 10. Yunlin-Chiayi system water mains backup double line project; 11. Project; 11. Gangshan to Beiling booster pump station backup trunk main works; 12. Xipu and Daquan subsurface water/raw water Second cross-harbor water mains project in Chijin; 14. Tunggang River-Fengshan Reservoir cushion pool diversion pipe project; 15. Tunggang River-Fengshan Reservoir cushion pool diversion pipe project ; 15. Tunggang River-Fengshan Reservoir Sinyuan section diversion pipe project ; 16. Double-line project from Macacukes downstream of Mudan Plant to Kuangfu Bridge; 17. Double-line project from Sizhong River downstream of Mudan Plant to Tongpu.	14,500,000

Project	Summary	Total budget
Da'an Dajia River Water Joint Transmission Project (2021-2031)	The main sources of public water in Taichung are the Leiyutan Reservoir in the Daan River and the Shigang Dam in the Dajia River, which has limited water supply capacity due to only one outlet from the Leiyutan Reservoir and a single raw water supply pipe. After the 921 earthquake, the turbidity level of the Dajia River increases dramatically every time there is a typhoon or flood, After the 921 earthquake, the turbidity level of the Dajia River increases dramatically every time there is a typhoon or flood, and the capacity of Fengyuan Water Treatment Plant is limited because the site cannot be expanded, thus compromising the water To address the high risk of water shortage in Taichung and to provide a stable water source with high quality, the water supply capacity of Shigang Dam. high quality, The main works include: 1. Dajia River water transmission line project (water intake, water transmission tunnel, raw water distribution reservoir and escape, water transmission line) and dispatch center and operation management system project at NT\$7.6 billion 2. Liyutan Reservoir second raw water main project (water transmission tunnel, water transmission pipeline, river-crossing water conduit bridge, and embankment) at NT\$4 billion.	11,600,000

Source: Water Resources Department, Ministry of Economic Affairs

In recent years, we have been promoting infrastructure projects to boost the economy and build the infrastructure needed for Taiwan's development in the next 30 years. The Forward-Looking Infrastructure Plan includes five major infrastructure projects, including "Green Digital Waterway and Township", namely, green energy, digital construction, water environment, railroad construction, and urban and rural construction, which are planned to cost NT\$882.49 billion over eight years and are expected to increase the value of private investment by NT\$1 trillion 777.73 billion to promote overall local development and regional balance, and to drive domestic investment opportunities and stable economic growth. The vision of the water environment construction is to "significantly reduce the risk of flooding and water shortage, and plan for a quality water environment", which is divided into three main axes: "safety, environment, and development", to plan for a safe and livable water environment, and to accelerate the construction of water treatment and water supply infrastructure. Through new thinking, new technology, new environment and new industry measures, the water environment will be more protective, resistant and resilient, creating a good environment of no water shortage, no flooding, good water and close to water. Upon completion of the future project, the following benefits are expected to be achieved.

1. Increase the supply of 1 million tons/day of regular water supply and 2 million tons/day of backup water supply, and improve the water supply to 90,000 households in areas without running water, so as to improve the stable supply of water and ensure the safe use of water for industrial development.
2. Create a bright spot in a county or city, and deal with river, drainage and coastal environment creation, water purification, wetland creation, resting pond landscape and ecological restoration, etc. to restore the vitality of the waterfront and sustainable water environment.
3. Increase the improvement of flood-prone area of about 200 square kilometers, enhance the river management and drainage and flood control capacity of counties and cities in metropolitan areas and populated areas, reduce the risk of flooding, reduce the impact of flooding, and protect people's lives and properties.

The Ministry of Economic Affairs will invest NT\$160 billion in water resources construction, from four major directions: source creation, flow control, regulation, and backup, and is expected to increase 1 billion tons of water per year after 2031 (about 3 months of water consumption in Taiwan). The opening of sources includes reservoir dredging, construction of artificial lakes, flowing water, recycled water plants, seawater plants, drought wells, such as the artificial lake in Tiaozui Lake is expected to be opened at the end of this year, which will be beneficial to the water situation in central Taiwan; the flowing water in Daquan, Kaohsiung, and the flowing water in Houlong, Miaoli will also help. According to the progress, it is expected that 11 water reclamation plants will be built before 2026, which can supply 334,000 tons of water daily.

The Water Resources Department has proposed a short-, medium-, and long-term

drought relief plan that will strengthen reclaimed water, add new desalination plants, regional dispatch, reduce water leakage rates, create new artificial lakes, take voltaic water, and dredge reservoirs, among other seven strategies, to plan water resources construction from 2,389,000 tons of water supply per day in 2021 to at least 10,425,000 tons per day in 2025.

After the completion of the emergency desalination plant in Hsinchu, the Water Resources Department is planning to build a new desalination plant in Mailiao, Yunlin, which is expected to be completed next year and supply 100,000 tons of water daily.

With the government's continued promotion of public works on water resources, it will be beneficial to the growth and development of the pipe manufacturing and contracting industry.

C. Desalination of seawater

Bringing together 1,500 experts from around the world, the United Nations released the Global International Water Assessment on the eve of World Water Day, warning that the world's growing shortage of clean water could lead to deeper environmental damage in the next 15 years. Inadequate clean water sources and the drying up of underground freshwater layers could even trigger a chain reaction in the environment, leading to increased salinity in species-rich estuaries and reduced coastal sediment, as well as the death of large numbers of fish and aquatic plants and shrinking agricultural land, affecting fisheries and food security by 2020, and ultimately increasing malnutrition and disease. As demand for clean water outstrips supply in most parts of the world, national leaders and experts are racking their brains to come up with ways to preserve precious water resources, including desalination for drinking water, as a solution to the growing shortage of fresh water.

The increasing shortage of fresh water resources and even water crisis has become a major concern for the international community, especially for some coastal countries, cities and desert areas. Desalination has become an important way to solve the global water crisis as a technology to increase water resources. At present, more than 120 countries are applying desalination technology, and the daily output of desalination is more than 90 million tons, 80% of which is used for drinking water, solving the living needs of more than 100 million people. According to the regulations on the development of new water sources in China, seawater refers to water that can be used after desalination, which is one of the new water sources. Unlike recycled water and stored rainwater, seawater is a new water source that has been directly used for drinking water and domestic water at this stage. In terms of water quality, the concentration of seawater components in terms of total dissolved solids (TDS) is approximately 34,000 ppm (ppm is parts per million). Water containing TDS between 1,000 and 10,000 ppm is usually called semi-saline water. The World Health Organization's drinking water quality standard requires a TDS concentration of 500 ppm or less, according to which half-salty water cannot be used directly as drinking water. After desalination, seawater can be used, but its use must be judged by its quality. The quality of seawater produced by various treatment technologies varies greatly, from industrial cooling water to washing water or other non-edible water for human needs. Generally speaking, desalination can achieve a removal rate of more than 95%, with a water quality of about 500 ~ 1,000 ppm TDS and a chlorine ion concentration of less than 250 ppm. seawater and surface water or groundwater treated with purified water are similar in nature and can meet drinking water quality standards.

However, due to the limitation of treatment technology and materials, the cost of treatment is still higher than that of traditional surface water and groundwater at this stage. The actual operation cost of desalination plant in Penghu by Taiwan Water Supply Company ranges from 34.41~92.93 RMB/m³. Due to the high construction cost and high operating cost of desalination, the promotion of desalination still needs to rely on policy subsidies. However, the growth of water demand nowadays exceeds the development speed of traditional water sources, and the difficulty of traditional water sources development is increasing, compared with desalination, with the advancement of materials and treatment technology, the construction and operation costs have been significantly reduced compared with 30 years ago. Compared to the traditional water sources with increasing costs, it is feasible to incorporate seawater into the water supply sources if there is an appropriate water price background.

Since 1995, the government has been building desalination plants in Penghu, Kinmen, and Matsu to solve the serious water shortage problem for the military and civilians in the outlying islands during the dry season. In addition, in order to provide a stable supply of water for the nuclear power plant, Taipower invested \$206 million to build a 2,271-ton per day steam-compressed desalination plant (two units) in 1989 to supply water for the nuclear power plant and a small portion of water for people's livelihood. The Group is currently involved in desalination plants in Penghu, Kinmen and Hsinchu. There are three desalination plants in Penghu, namely "Magong Desalination Plant No. 1 - National Unified Penghu 3000CMD Desalination Plant", "Promote the participation of Penghu West Island Desalination Plant" and "Magong Desalination Plant No. 2 - 4000CMD Desalination Plant", "Dajinmen 4000CMD Desalination Plant" in Kinmen, and "Hsinchu 3000CMD Emergency Desalination

Plant" in Hsinchu. "The emergency desalination plant in Hsinchu is a 3000CMD desalination plant. In addition to the emergency desalination plant in Hsinchu, the desalination plants in Penghu and Kinmen are in continuous operation and are currently in stable operation for water supply in the region. Taiwan has been promoting desalination for many years, but the construction of desalination plants is still mainly concentrated in the outer islands of Kinmen, Penghu and Matsu. If there is no change in the low cost of water and the low price of water in Taiwan, the chance of using fresh water for people's livelihood is relatively small. However, water resources are not inexhaustible. In view of the continuous development of the technology industry and frequent climate anomalies in the future, the 200,000-ton desalination plant in Tainan (100,000 tons each in two phases) and the 100,000-ton desalination plant in Hsinchu, both of which are currently undergoing environmental assessment by a consultant, "desalination" is still one of the important sources of water supply in the future.

Desalination plants currently in operation in Taiwan

Plant	Design water output (m ³ /day) Design water output (m ³ /day)	Water use	Desalination	Completion time (year& month)	Operated and managed by	Amount invested
	(cu m/day)	Marked	Technology			(NT\$ 100 million)
Nuclear Power Plant No. 3 (Unit 1)	1,130	Industrial water	Low-vacuum distillation	78.05	Taipower	2.06
Nuclear Power Plant No. 3 (Unit 2)	1,130	Industrial water	Low-vacuum distillation	78.05	Taipower	併計於一號機
Chienshan Power Plant (note 1)	600	Industrial water	Low-pressure low-temperature distillation	89.08	Taipower	0.82
Tashan Power Plant (note 2)	300	Industrial water	Multi-effect distillation	91.12	Taipower	0.73
Makung First Desalination Plant (capacity: 10,000CMD) (Note 3)	10,000	Domestic water	Reverse osmosis	101.07~117.3.30	Taiwan Water Corp	6.19
Makung First Desalination Plant (capacity:3,000CMD) (Note 4)	3,000	Domestic water	Reverse osmosis	93.07	Taiwan Water Corp/Operation by Company	1.65
Construction of an additional 4,000 tonnes desalination plant at Makung (Makung Second Desalination Plant Phase 1) (Note 10)	4,000	Domestic water	Reverse osmosis	1989.05	Taiwan Water Corp	5.9(budget)
Construction of an additional 6,000 tonnes desalination plant at Makung (Makung Second Desalination Plant Phase 2) (Note 14)	6,000	Domestic water	Reverse osmosis	1989.05	Taiwan Water Corp	4.81(budget)
Wangan Seawater Desalination Plant (Note 5)	400	Domestic water	Reverse osmosis	2000.08	Taiwan Water Corp	0.32
Siyu Brackish Groundwater Desalination Plant (Note 6)	1,200	Domestic water	Reverse osmosis	2002.12	Taiwan Water Corp	0.18
Cimei Brackish Groundwater Desalination Plant (Note 6)	1,000	Domestic water	Reverse osmosis	2012.07	Taiwan Water Corp	0.36
Baisha Brackish Groundwater Desalination Plant (Note 6)	1,200	Domestic water	Reverse osmosis	2004.07	Taiwan Water Corp	0.16
Chenggong Brackish Groundwater Desalination Plant (Note 6)	4,000	Domestic water	Reverse osmosis	2021.04.07 commissioned	Taiwan Water Corp	0.29
Jiangjiyun Brackish Groundwater Desalination Plant (Note 6)	180	Domestic water	Reverse osmosis	2021.04.08 awarded contract	Taiwan Water Corp	0.08
Siyu Seawater Desalination Plant	750	Domestic water	Reverse osmosis	2012.07	Taiwan Water Corp/15-yr BOT by Company	1.65
Tongpan Seawater Desalination Plant (Note 8)	100	Domestic water	Reverse osmosis	2002.05	Penghu County Government	0.12
Hujing Seawater Desalination Plant (Note 8)	200	Domestic water	Reverse osmosis	2001.11	Penghu County Government	0.24
Huayu Seawater Desalination Plant (Note 11)	50	Domestic water	Reverse osmosis	2003.12	Constructed by: Penghu County Government / Kuo Chuang Construction Containerized Seawater Desalination Unit Managed by: Wangan Township Office	0.025
Four Islands of Southern Penghu (Dongji, Dongyuping)	23+23	Tourism / domestic	Reverse osmosis	2004.02	Marine National Park Headquarters/awarded to Sheng Ho	0.35
Kinmen Seawater Desalination Plant (Note 9)	4,000	Domestic water	Reverse osmosis	2004.12	Kinmen County water treatment plant	3.11
Nangan (Phase 1) Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	2012.11	Lianjiang County water treatment plant	0.69

Plant	Design water output (m ³ /day)	Water use	Desalination	Completion time (year& month)	Operated and managed by	Amount invested
	Design water output (m ³ /day)					(NT\$ 100 million)
Dongyin Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	2015.07	Lianjiang County water treatment plant	1.20
Beikan Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	2014.11	Lianjiang County water treatment plant	1.02
Nangan (Phase 2) Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	2018.8.23	Lianjiang County water treatment plant	0.56
Hischu Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	2018.01.06 water output	Lianjiang County water treatment plant	1.05
Nangan (Phase 3) Seawater Desalination Plant	950	Domestic water	Reverse osmosis	2018.10	Lianjiang County water treatment plant	4.52
Hsinchu Emergency Desalination 3,000 CMD Unit and ancillary facilities (with commissioned operation) (Note 12)	3,000	Domestic water	Reverse osmosis	2016.1	MOEA WRA Northern Region Water Resources Office	2.19
Hsinchu Emergency Desalination 10,000(6000+4000) CMD Unit (with substitute operation) (Note 13)	10,000	Domestic water	Reverse osmosis	2016.1	MOEA WRA Northern Region Water Resources Office	4.10
Taichung Emergency Desalination 13,000 CMD Unit and ancillary facilities (with commissioned operation) (Note 15)	13,000	Domestic water	Reverse osmosis	2016.1	MOEA WRA Central Region Water Resources Office	5.71
Construction and commissioning of 900-ton desalination plant in Chimei Island	900	Domestic water	Reverse osmosis	win the bid on 2021.2.19	Taiwan Water Supply Co., Ltd./Shanlin Water, Intake Contract	5.29
Construction of 600-ton desalination plant and commissioning of operation and maintenance in Jibei Island	600	Domestic water	Reverse osmosis	win the bid on 2021.5.2	Taiwan Water Co., Ltd./You Quan, Wei Sheng Contracting	4.11

Source: compiled by the Water Resources Agency of the MOEA and Kuo Toong International Co

Notes:

1. The Chienshan Power Plant is unable to provide two units for water production at the same time due to insufficient steam capacity. The Chienshan Power Plant is unable to provide two units for water production at the same time due to insufficient steam capacity in the desalination equipment, so the two units operate in rotation to produce water.
2. The Tashan Power Plant does not produce water due to repair to the failure of the desalination equipment and the low local load that prevents it from meeting production conditions.
3. In 2012, Wukan Seawater Desalination Plant 1 and Wukan Seawater Desalination Plant 3 under construction were merged into Makung Seawater Desalination Plant 1 (Capacity: 10,000CMD), which expired on July 21, 2019.
4. In 2012, the Wukan Seawater Desalination Plant 2 was renamed the Makung First Seawater Desalination Plant (capacity: 3,000CMD).
5. The refurbishment of the Wangan Seawater Desalination Plant was completed in July 2012 and water was still partially produced. The refurbishment of the Wangan Seawater Desalination Plant was completed in July 2012 and water was still partially produced.
6. The five semi-seawater desalination facilities in Siyu, Cimei, Baisha, Chenggong and Jiangjyun were renamed brackish groundwater. The five semi-seawater desalination facilities in Siyu, Cimei, Baisha, Chenggong and Jiangjyun were renamed brackish groundwater desalination plants.
7. Refurbished by G&F Water Technology Co in 2015.
8. For Tongpan and Hujing seawater desalination equipment, G&F Water Technology Co has obtained a maintenance contract in 2015 to G&F Water Technology Co has obtained a maintenance contract in 2015 to carry out equipment improvement.
9. The Company on Jan 10, 2019 completed the acceptance of the Kinmen Seawater Desalination Plant (capacity: 4000CMD) and started water production in Apr 2019.
10. The contract for the construction of an additional 4,000 tonnes desalination plant in Makung (Makung Seawater Desalination Plant 2 Phase 1) and the commissioned operation and maintenance project was signed by the Company on Nov 20, 2015 for a construction. The Company's construction of an additional 4,000 tonnes desalination plant in Makung (Makung Seawater Desalination Plant 2 Phase 1) and the commissioned operation and maintenance project was signed by the Company on Nov 20, 2015 for a construction period of 870 days and was under way.
11. MiTech Technology Co on Feb 5, 2018 was awarded the "2017 Turnkey Project for the Replacement of Equipment at the Desalination Plant in Huayu Village, Wangan Township," modifying the original unit to a 50CMD unit for a contract amount of NT\$2.25 million.
12. Kuo Toong International Co on Nov 16, 2020 was awarded the contract and on Jan 31, 2021 completed commissioning and produce water. The running period is 2021.02.01-2021.05.31 with smooth operation.
13. Hui-Min Environment Tech Corp was awarded the 6,000 CMD contract and Kenmec Mechanical Engineering Co the 4,000 CMD contract.
14. Forest Water Environmental Engineering Co on Apr 8, 2021 was awarded the contract.
15. Hui-Min Environment Tech Corp was awarded the 10,000 CMD contract and Forest Water Environmental Engineering Co the 3,000 CMD contract. contract.
16. At 17:00 on August 10, 2021, a new 24 CMD unit was added, with a total capacity of 44 CMD.

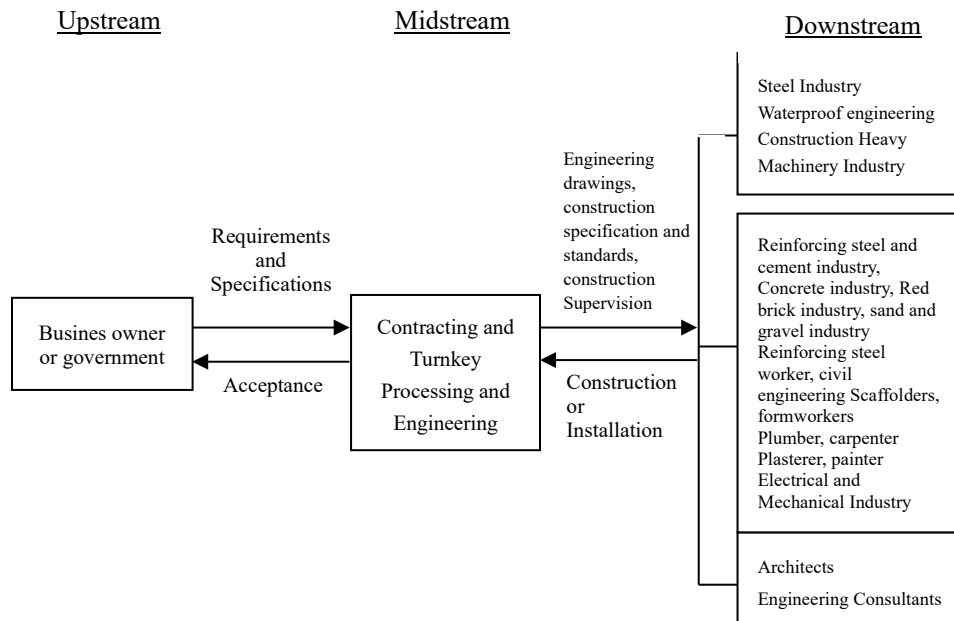
D. Water-based resins

In recent years, due to the rising awareness of environmental safety and environmental protection, the "Green Revolution" has emerged in the international arena, and the restrictions on volatile organic compounds and toxic substances are becoming more and more stringent in various countries. In the EMS promoted in 1995, the emphasis was placed on "environmentally friendly" production of raw materials and products. In order to follow the world trend, the synthetic resin industry began to focus on the development of water-based system products, through process changes to low-pollution processes, reduce the use of highly toxic, high VOC chemicals and high purity, high functionality products and other technology research and development, overseas after decades of development, water-based resin synthesis technology has become more mature. Since water-based resins replace volatile organic solvents with water, they have gradually replaced solvent-based resins, and therefore meet the trend of future needs in terms of environmental protection, economic and safety considerations. It has a wide range of applications, including coating, automotive, synthetic leather, furniture, fiber, construction, and adhesives.

(2) Relationship with Up-, Middle- and Downstream Companies:

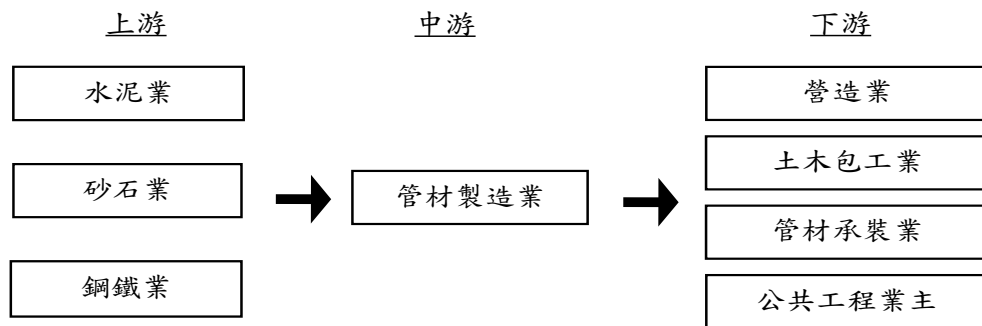
A. Desalination, water treatment projects

The construction of seawater desalination plants, water purification plants, and sewage treatment plants are mostly tendered in the "turnkey" mode in accordance with the contracting characteristics of government public works organizers. The upstream, midstream, and downstream linkages of the industry are similar to those of pipe manufacturing and contracting, but also require the integration of professional engineering consultants, steel reinforcement industry, cement industry, hydraulic machinery manufacturers, instrumentation and electrical equipment suppliers, and other types of installers. The upstream, midstream, and downstream industries are related as follows.



B. Pipe fabrication and assembly

The Group is mainly engaged in the manufacture, sale and installation of concrete pipes, steel lined pre-stressed concrete pipes, steel pipes, ductile cast iron pipes and spare parts for water distribution, including cement as raw material in the upstream industry, sand and gravel in the sand and gravel industry, and bamboo bars, black iron wire, pre-stressed wire, steel plates, steel coils and scrap silicon steel in the steel industry. The downstream of the industry includes contract construction plants, civil contractors, pipe contractors, and public works owners themselves, with public works covering water supply, water distribution, drainage, sewage, water transmission systems, and industrial water systems. The upstream, midstream and downstream industries are related as follows.



(3) Product Trends.

A. Water treatment works

1. Water treatment: The development of water treatment facilities in Taiwan began in early 1991 with a variety of treatment processes provided by subcontractors to replace the earlier traditional facilities. Therefore, for the recent turnkey projects, the owners have set up detailed standards for the establishment of facilities and adopted strict qualification checks. Although the profitability of manufacturers has been reduced, there are fewer cases of failure or unreasonably low bids that can be attributed to manufacturers. In addition, the government has implemented environmental protection policies and given priority to improving the water quality of the 11 major rivers and maintaining the water quality system of the water source areas, which will be beneficial to the subsequent development of water treatment projects.

2. Sewage treatment: In addition to the various projects run by the government, the government has planned dozens of sewerage systems in order to accelerate the popularization of sewerage in China, and encourages private organizations to invest in the construction and operation of these systems in accordance with the "Act on Promotion of Private Participation in Public Construction". In terms of sewerage system construction, the government will continue to handle the customer take-over projects in areas where sewage plants have been completed, and simultaneously build new systems of sewage plants, primary and secondary trunk pipes, branch pipes and connection networks.

3. Recycled water treatment: In terms of water recycling, we will cooperate with wastewater plants to treat runoff water and resell it to science parks and industrial areas for use, and use Taichung, Tainan and Kaohsiung, where water supply is relatively tight, as the main axis of promotion to make up for the shortage of industrial water, so as to achieve the effect of water recycling. In terms of wastewater control, a cloud-based management cloud for the national wastewater sewerage system has been established to provide real-time control of the operation of each system and to improve system operation and maintenance management.

B. Pipe fabrication and assembly

(A) The government's adoption of a joint contracting system will increase contracting opportunities and diversify risks

In general, pipe installation projects are mainly large public projects promoted by the government, and such public projects can be broadly divided into construction bids, material bids, and plumbing bids. In order to avoid this situation, Taiwan Water Supply Corporation and the Water Resources Administration of the Ministry of Economic Affairs have gradually adopted a joint contracting system that has been in place for years for construction projects abroad, i.e., construction companies, pipe manufacturers, and water pipe contractors jointly bid for the project to share the profit and loss and related risks.

Joint contracting is a joint contract between two or more firms under a mutual profit and loss sharing agreement. For the owner, joint contracting can reduce the number of times of contracting, avoid the increased coordination and responsibility of sub-bidding, and ensure the quality of construction; for the companies participating in joint contracting, since most of the joint contracting projects are difficult and costly, which cannot be undertaken by individual companies alone, by combining companies with different expertise and utilizing each other's technology and experience, not only can we increase the chances of contracting each other's projects, reduce the operational risks of contracting, but also reduce our own financial risks. Therefore, by combining the expertise of different companies and utilizing each other's technology and experience, we not only increase the chance of contracting each other's projects, reduce the operational risk of contracting projects, but also reduce our own financial risk, and help to improve the technical and control ability of each member, and further increase the construction performance to meet the owner's requirements for project progress and quality.

(B) Liberalization and Internationalization of Public Works

With the completion of a limited number of public works projects, the development of the domestic engineering industry into the overseas engineering market has become one of the directions for the industry's sustainable operation. After becoming a signatory to the WTO Government Procurement Agreement (GPA), our products, services, and manufacturers have been able to participate smoothly in procurement cases opened by other signatory countries under the GPA, and we have completed several international projects, demonstrating our unique expertise, which should help us compete with other countries for markets above the threshold of GPA opening.

However, on the other hand, most of the operators in Taiwan are small and medium-sized enterprises, whose capital, technology, management experience and internationalization are relatively weak compared with those of foreign operators. The environment, culture, customs and other issues. After our country's accession to the GPA, in the face of competition from foreign operators, those who are less competitive domestically should accelerate their upgrade or actively transform, otherwise they may suffer the fate of being eliminated.

- (C) The pipe manufacturing and contracting industry is moving towards professionalism and large-scale development

In response to the current joint contracting system for public works projects and China's accession to the GPA, foreign manufacturers have joined the domestic public works market with their huge capital and technical expertise, so both pipe manufacturers and pipe contractors in China are bound to develop towards large-scale and professionalization in order to strengthen their joint procurement capability, and to enhance their financial flexibility and economic scale of management. On the other hand, the professional development can increase the contracting opportunities and enhance the construction quality and international competitiveness.

C. Desalination of seawater

- (A) The amount of water developed by applying desalination technology is increasing year by year

Desalination has always been considered as a source of water for oil-producing countries in the desert areas of the Middle East, but with the rapid climate change, industrial development and land development, countries or regions on the waterfront other than the Middle East have also started to develop and use desalination in large quantities, and in recent years, the fastest increase has been in Asia, even surpassing North America, Europe and the Middle East, where desalination technology was most widely used earlier, indicating that The problem of water scarcity in Asia has attracted the attention of governments in various countries. In addition to Saudi Arabia, Japan and the United States, many Asian countries such as Singapore, India, Pakistan, China (Hong Kong, Tianjin), Korea and Indonesia have planned or started to build desalination plants, and China has also set up desalination plants in Penghu and Matsu. It is expected that desalination will become an important source of water for all countries in the future in order to obtain a reliable and stable water source.

- (B) Desalination technology is becoming more mature and the cost of water production is becoming more reasonable

Desalination technology has made considerable progress from the early 1990s to the present, which has greatly improved the water production rate, energy saving, and reduced scaling. If we encourage private enterprises to invest in the construction and operation mode, we can reduce the cost and have the potential of commercialization. Under the goal of diversified water supply, seawater is inexhaustible, and its mission to produce large amounts of fresh water is gradually increasing. At present, there are more than 30 successful cases of desalination in the world where governments and enterprises have created a win-win situation together.

(4) Product Competition

A. Water treatment works.

1. Water treatment: The Group has successively completed the contracting projects of "Linnai Water Treatment Plant (average treatment capacity of 200,000 CMD)" and "Hushan Water Treatment Plant (average treatment capacity of 400,000 CMD)", and is currently the contractor with the largest treatment capacity in Taiwan. The Group has the advantage of

2. Sewage treatment: In 2008, the Group also successfully obtained the "Miaoli Zhunan Tufen Sewage System BOT Project", which became the fourth case in Taiwan, and continued to complete the construction of the second phase of the treatment plant with an average treatment capacity of 31,000 CMD, and completed the connection of 33,000 households through the laying of sewage pipelines. The construction of the Houlong Water Reclamation Center in Miaoli County (with an average treatment capacity of 5,000 CMD) was completed in December 2019 and entered into three-year operation. It will help to participate in the subsequent investment or bidding of various systems.

3. Reclaimed water treatment: The Group's subsidiary, Guoyang Corporation, signed a water purchase agreement with Sinopec Corporation, which is located in the nearby Toufen Industrial Park, and will participate in the subsequent public wastewater treatment plant recycling and drainage water reuse projects by leveraging its excellent turnkey project execution capabilities and experience in treatment plant operation.

B. Pipe fabrication and assembly

The Group is a professional pipe manufacturer and contractor in China with the capability of producing large diameter concrete pipes, steel lined pre-stressed concrete pipes, steel pipes and ductile cast iron pipes at the same time.

- (A) Steel-lined pre-force concrete pipe (PCCP) is produced at a higher level of technology, and its quality is up to the world standard, and it is very suitable for large quantities of water transmission trunk pipe. The competition mainly depends on the manufacturing technology standard.
- (B) Steel pipes (SP) are easy to produce and the market is highly competitive, with manufacturing quality as the main competitive advantage.
- (C) Polyethylene covered steel pipe (SPE) can be used for water supply trunk pipe, drinking line, and various chemical acid and alkali resistant pipes, which requires higher production technology. At present, there are few manufacturers in the market, so it has more product advantages. Because of its wide range of applications, the market still has a lot of room for development, and it is expected to become a highly competitive product in the future.
- (D) Ductile cast iron pipes (DIP), which can be used in various types of water distribution lines, are manufactured by different manufacturers according to the size of the pipes and different levels of technology.
- (E) Flexible tube for the Group's research and development of the product, belongs to the professional special tube, can be used in the amount of subsidence or change the position of the large amount of pipeline, the market because of the few manufacturers, so it is extremely competitive products, and its wide range of applications, the market still has a lot of room for development, has become the Group's highly competitive products.

C. Desalination of seawater

Desalination technology has been developed so far, and compared with the past 20 years, there are breakthroughs in water production rate, energy consumption rate, scaling situation, and film life extension, etc. The cost of water production is less than half of the past. In the application of desalination technology, there are two main categories, one is the distillation method, and the other is the membrane method.

- (A) High efficiency energy recovery: The energy recovery system adopted by the Group has no moving parts in its structure, so there is no wear and tear problem, and the energy recovery can reach over 97%.
- (B) Energy saving: Since 2004, the actual power consumption of desalination mainframe is 1.81 kWh/ton of water, which is much lower than the international system of 3 kWh/ton of water. The power consumption of 750CMD desalination plant in Penghu West Island is 2.88 kWh per ton of water including peripheral equipment, and the average power consumption of desalination host without peripheral equipment is 2.65 kWh per ton of water, which is also higher than that of other new desalination plants in Penghu, which consume >5.x kWh per ton of water for 400CMD and >4.2 kWh per ton of water for 10,000CMD. The desalination plant is the most energy-saving desalination plant in Taiwan.
- (C) Save operation cost: The equipment is made of Duplex stainless steel, with a service life of 15 years, so there is no replacement cost; the small size of the equipment takes up less space, which saves construction cost.
- (D) Comply with the environmental protection standard: Therefore, the desalination plant of KUO TOONG adopts the simplest process and physical water treatment process, without adding pharmaceuticals, no pollution, and no biochemical sludge.
- (E) Self-development of pumping equipment: Develop the most energy-efficient pump, improve the performance of the original pump, reduce maintenance time, and reduce downtime losses.
- (F) Development of automatic control system: can automate seawater equipment and remote control, increase system reliability.
- (G) Operation and maintenance autonomy: Desalination plants are mostly set up in remote places, and often lack of maintenance personnel and equipment. Therefore, after the desalination plant is built, the operation and management becomes the biggest problem. KUO TOONG has developed an independent operation and maintenance management method, in which the desalination plant's water quality instruments and operation machinery, instrumentation and control and electrical equipment can be maintained by itself, so as to have the most stable water quality and equipment, but the lowest maintenance cost.

The Group is one of the few companies in Taiwan with a track record of desalination operations, including the following: the 3,000 CMD desalination plant

(BOO) at Magong Desalination Plant No. 2 in Penghu, the 7,000 CMD desalination plant (BTO) at Wukan in Penghu, and the 750 CMD desalination plant (BTO) at West Island in Penghu. In addition, in 2015, we were awarded the contract for the construction and maintenance of the additional 4,000-ton desalination plant in Magong (Magong No. 2 Desalination Plant Phase I), and in 2016, we were awarded the contract for the functional improvement and expansion of the Da Jinmen Desalination Plant, two of the largest desalination plant bids in Taiwan in recent years.

In 2020, the Northern Water Resources Bureau set up an emergency desalination plant next to the Hsinchu Fishing Port on the main island, and the Group again obtained the emergency desalination 3,000 CMD unit and ancillary facilities in Hsinchu, which produced 3,000 MD of water in an emergency 66 days after the contract was signed, providing a smooth water supply for people's livelihood in Hsinchu.

The Group has been engaged in the construction, operation and management of desalination plants since 2004 and has been operating normally to provide a stable water supply to the local area. The Group has many years of experience in pipe manufacturing and installation, which makes the desalination plant construction time short, energy recovery and energy efficiency high, smooth operation under severe salt damage, and the RO unit is less prone to scaling because no chemicals are used in the process. The Group's proficiency in plant management is also the biggest advantage in competing for the desalination market in Taiwan. However, nowadays, in the era of globalization, the Group needs to have complete technical expertise in order to plan for internationalization, so we have actively invested in manpower to complete the following projects.

- a. Self-established development of seawater technology to reduce equipment costs.
- b. Apply for patented products such as seawater pre-treatment, energy recovery system, and special pipelines.
- c. Accumulated operation technology → equipment production → system module development and design → development of international market.

(3) Research and Development.

1. Technology level of business operation

- A. Currently, the Group is engaged in the production of steel-lined precast concrete pipes (PCCP) and the design and manufacture of PCCP plant equipment and special joints, as well as the manufacture of ductile cast iron pipes (DIP), which can be used for various types of distribution lines.
- B. Another higher level of technology includes water design, piping design and pipe design, fabrication and installation.

2. Research Development

- A. Currently, we have researched and developed PCCP production process automation, steel liner manufacturing automation, wire winding machine automation, slurry spraying machine automation, patent for detectable anti-axial force steel pipe joint, PCCP design programming, patent for anti-axial force pipe joint, patent for compensating flexible pipe joint, patent for complex angle flexible pipe joint, patent for flexible pipe balanced dynamic water test bench, patent application for new type of steel pipe hanging device, and patent for manhole cover. Improved structure patent.
- B. Future Annual Research Development Plan:
 - (A) Desalination technology capacity enhancement, including: high pressure pump and lift pump equipment, energy recovery equipment, and LSI water quality adjustment technology.
 - (B) Development of AUFM equipment for pre-treatment of water purification projects.
 - (C) Capacity enhancement of wastewater treatment technology, including: anaerobic digestion equipment, sludge reduction technology.
 - (D) Reclaimed water treatment technology research and development.
 - (E) Establishment of various water treatment (seawater desalination, sewage and recycled water treatment) project receiving capacity.
 - (F) Establish intelligent (AI) operation procedures to improve the operational efficiency of various water treatment plants (desalination, wastewater and reclaimed water treatment) to achieve the goal of energy saving and manpower reduction.

(F) Energy efficiency improvement and production technology optimization for centrifugal casting.

(H) Water-based resins and their application development.

(L) Automation of production equipment.

(N) Push-in steel pipe (WSP) for spigot type waterway.

(O) Anti-corrosion coating of cast pipes with external zinc spray.

(P) Automatic pipe welding equipment.

(Q) Development of various types of pipe joints

3. Research and development expenses for the most recent year and the quarter ended before the annual printing date

Unit: NT\$ thousands

Item \ Year	2021	As of March 31, 2022
Research and development costs	21,008	6,783
Operating income	4,621,035	964,790
Percentage of operating revenues	0.45%	0.70%

4. Development of successful technologies or products

Item	Year	R&D Results	Applications	Benefits
1	2009	Patented "Double-layer pipe body of large diameter and its construction method"	Underwater large diameter pipeline construction	1. Provide large diameter, light weight and high strength double-layer pipe body to facilitate the production, assembly and installation of the pipe body, and can greatly reduce the weight of the pipe body. 2. Good function. 3. Low cost.
2	2010	Patent Application for "Steel Pipe Hanging Device"	Steel pipe lifting device for lifting and transporting large diameter steel pipes	1. Provide a simple structure and safe operation of the steel pipe hanging device. 2. Easy to operate, fast lifting, low maintenance cost.
3	2012	Underwater construction device for large objects (new type)	Underwater construction of large objects	The buoyant body design is convenient for construction application and will be used in the dredging project of Zengwen Reservoir.
4	2013	Water intake system (new type)	The process of getting water	Save and simplify the water intake structure, use in the river to get fresh water and the sea to get seawater, can get clean water, conducive to the development of water resources.
5	2014	Anti-film clogging membrane filter module and its application (New and Invention)	Membrane Water Filtration Project	Reduce the cost of water filtration to achieve the maximum benefit of membrane use.
6	2015	Ductile iron pipe fittings are made by solid mold method	Casting of ductile iron pipe elbows, short pipes, tees and bushings, etc.	The solid mold can be reused for a long time, easy to repair, smaller size, easy to preserve and has better advantages than the wooden mold in terms of cost.
7	2015	Slow Filtration System	Water Treatment Field	Using gravity backwash and gravity forward wash to save energy and improve economic efficiency.
8	2016	Thin film filtration and energy recovery device (20-year invention patent taken on Dec. 21, 2017)	Water Treatment Field	Energy recovery and reuse of residual liquid saves operating cost and maintenance frequency. It has been applied in desalination equipment of Penghu 3000CMD, Magong 4000CMD and Kinmen 4000CMD.
9	2017	Water Purification System	Water treatment plants, wastewater treatment plants, desalination plants. As water purification process or pre-treatment equipment	Improve the problem of cumbersome equipment, frequent replacement of filter material, and costly.
10	2018	Complex anaerobic biofermenter	Suitable for anaerobic digestion of organic wastewater and organic biological sludge with high concentration or aerobic biological treatment of difficult to degrade	Acidifying and methanating bacteria are treated in a complex anaerobic digester with a controlled hydraulic layout to achieve high efficiency in both phases. The anaerobic system is easier to operate and maintain.
11	2019	Push-in steel pipe for waterway with socket joint	Steel pipe for pipeline project advancement construction	Push-in steel pipe for waterway is a type of push-in steel pipe for waterway with inner and outer layers of steel pipe joined in a socket type. The push-in method allows quick connection of two waterway push-in steel pipes, saving on-site processing and inspection costs.

Item	Year	R&D Results	Applications	Benefits
12	2020	Socket joint ring for push-in steel pipe for waterway	Steel pipe for pipeline project advancement construction	Socket joint ring for waterway push-in steel pipe is a type of socket joint ring for waterway push-in steel pipe that can connect two waterway push-in steel pipes quickly and without welding. It can be used to quickly connect two waterway push-in steel pipes during the push-in process, saving field processing and inspection costs.
13	2020	Push-in steel pipe for socketed waterways	Steel pipe for pipeline project advancement construction	Socket type waterway push-in steel pipe is a type of socket type waterway push-in steel pipe that can be quickly joined with another socket type waterway push-in steel pipe by a joint ring. During the pushing process, it is possible to quickly connect two waterway push-in steel pipes, saving field processing and inspection costs.
14	2020	Socket joint ring for push-in steel pipe for waterway	Steel pipe for pipeline project advancement construction	Socket joint ring for waterway push-in steel pipe is a type of socket joint ring for waterway push-in steel pipe that can connect two waterway push-in steel pipes quickly and without welding. It can be used to quickly connect two waterway push-in steel pipes during the push-in process, saving on-site processing and inspection costs.
15	2021	Steel tube with flexible receiver plug	Steel pipe for internal penetration of shield tunnel project	A socket joint ring for waterway steel pipe that can be quickly and without welding to connect two waterway steel pipes. It can be used to quickly connect two waterway pipes during the inner pipe penetration process of shield tunneling, saving time for on-site processing and inspection, and significantly reducing construction costs.

(4) Long-term and Short-term Development

1. Short-term Development

(1) Marketing Strategy

- A. Actively develop foreign markets and set up factories to produce pipes.
- B. Expansion of desalination business.
- C. Expansion of domestic marine and sand pumping and dredging projects.
- D. Construction of sewage treatment plant BOT project.
- E. Construction and operation of BOT project of reclaimed water plant.

(2) Production Strategy

- A. Increase production capacity and reduce production cost.
- B. Application of new wastewater treatment methods.

(3) Product Development Strategy

- A. The three elements of project contracting, equipment export and pipe manufacturing are all important to increase market choice and reduce operational risks.
- B. We will actively develop high-margin related products to diversify our products.

(4) Financial cooperation

- A. Flexibility in the use of various financing and financial instruments to ensure the stability of operations.
- B. Increase the credit line and the number of banks to increase the flexibility of financing.

(5) Production Management

- A. Internal information system integration towards process-based and order-based development to meet the nature of the Group's business.
- B. Strengthen the cultivation of talents to cope with product diversification and business diversification.

(6) Quality Policy

- A. Strictly control the product quality to strengthen the production quality of the enterprise by upholding the spirit of ISO-9000 certification.
- B. Implement employee education and training to improve production technology and product quality.

2. Long-term Development

(1) Marketing Strategy

- A. Active involvement in the mainland market, participation in the West China Sea

- Project and Westward Expansion Project, etc.
- B. Cooperate with foreign manufacturers and invest in overseas markets by exporting whole factories.
- C. Development of domestic river improvement projects.
- D. Increase the proportion of sales of high-margin products.
- (2) Production Strategy
 - A. Standardization of production process.
 - B. Adjust the production line and improve capacity utilization.
- (3) Product Development Strategy
 - A. Continuous product upgrade and development to maintain competitive advantage in the industry.
 - B. Integrate upstream and downstream related products to adjust production lines according to market supply and demand.
 - C. Planning the business and strategy of "whole plant export".
 - D. Accelerate the development of new products.
- (4) Financial cooperation
 - A. Effective use of financial leverage to reduce capital backlog and interest burden.
 - B. In line with the expansion of business volume, we will handle capital increase in a timely manner to reduce operating costs and improve competitiveness.
- (5) Production Management
 - A. Implement budget management to improve operational performance and decision quality.
 - B. Multi-angle operation to reduce operational risk.
 - C. Promote the safety and health self-care system and ISO-14000 to strengthen the function of industrial safety and environmental protection.
- (6) Quality Policy
 - A. Promote TQM (Total Quality Management) system to gain ISO-9000 function.
 - B. Promote equipment improvement and automation to improve production efficiency and quality.

II. Market and Sales Overview

(1) Market Analysis

1. Sales (Service) Region

The Company's main business is the design, manufacture, sale and installation of large-scale water transmission and distribution pipelines, and its main sales targets are public institutions engaged in the construction of water resources public works and private construction companies and engineering firms. Sales of \$1,944,975 thousand for domestic sales and \$1,880,590 thousand for external sales in 2019, \$1,885,712 thousand for domestic sales and \$1,822,599 thousand for external sales in 2020, \$2,713,236 thousand for domestic sales and \$1,907,799 thousand for external sales in 2021.

Distribution of the Company's main product sales in the last three years

Unit: NT\$ thousands

Area \ Year		2019		2020		2021	
		Amount	%	Amount	%	Amount	%
TW	N	1,214,394	31.74	957,404	25.82	855,035	18.50
	C	657,050	17.18	660,812	17.82	482,286	10.44
	S	73,531	1.92	267,496	7.21	1,375,915	29.78
	E	-	0.00	-	0.00	-	0.00
Export		1,880,590	49.16	1,822,599	49.15	1,907,799	41.28
Total		3,825,565	100.00	3,708,311	100.00	4,621,035	100.00

Note: Northern Region: including Taipei, Taoyuan, Yilan, Hsinchu, Miaoli, etc.

Central Region: including Taichung, Changhua, Nantou, and Yunlin

Southern Region: Chiayi, Tainan, Kaohsiung, Pingtung, Penghu, Kinmen, etc.

Eastern Region: including Yilan, Hualien, Taitung, etc.

Export sales: Including the amount of local sales in China by the subsidiaries in China.

2. Market Share (%)

The Group is one of the few professional manufacturers of large diameter concrete pipes, steel pipes, ductile cast iron pipes and other pipes in the domestic industry. Domestic Companies in the same industry do not have the same capabilities. The Group produces concrete pipes, steel pipes and ductile cast iron pipes in a wide range of specifications for a wide range of applications and earns revenue from pipe installation projects in addition to pipe sales. The products of other companies in the same industry are different from those of the Group, except for the concrete pipe products manufactured by Wyman, which are listed on the stock exchange and are relatively similar to those of the Group. Market share information is not easy to compile and difficult to compare.

3. Future market supply and demand and growth

(1) Pipe manufacturing and contracting industry

In view of the past economic growth trend and the future development of various industries, coupled with the fact that tap water is related to people's quality of life, water use in various regions of the country is still on a trend of continuous growth. In order to increase the water supply capacity and ensure quality and stable water supply, the Ministry of Economic Affairs has continued the Tseng-Wen Reservoir Drainage Project, the Shih-Men Reservoir Dredging and Drainage Project, the Wu-Hsi Bird's Nest Artificial Lake Project, the Tseng-Wen Nan-Hua Interconnection Pipe Project, the Da-An Dajia Creek Interconnection Pipe Project, and the Outlying Islands Water Supply Improvement Project Phase II, among other large-scale water resources public projects.

In line with the government's water development policy, the Company actively participates in upstream water planning, effectively integrates and utilizes water sources, and implements various water projects to meet the growing demand for water for people and industry. In addition, the Company has made it an important business goal to increase the water sales rate and water supply penetration rate, improve water supply capacity, and supply quality and quantity of water. In order to achieve the government's policy and the company's goals, TWC plans to promote the Linbian Water Pipeline Bridge Project, the downstream water supply project in the Luodong Weir in Yilan, the second phase of the water supply improvement project in the Bangsin area, and the improvement of stable water supply facilities and trunk pipelines, and other public projects related to water diversion and diversion. In the Executive Yuan's "Investment Plan for Economic Revitalization and Expansion of Public Construction", "Water Supply Stabilization" has been included in the top 20 investment projects. The key projects include: accelerating the process of reducing water leakage rate and stabilizing water supply, accelerating the process of improving water leakage and stabilizing water supply in Taipei, and strengthening the process of improving water supply in areas without water supply. In addition, the "Love Taiwan 12 Construction Project" and the "Sewerage Phase IV Construction Project" both include sewerage and sewage construction as important implementation plans. This will lead to a certain demand for the pipe manufacturing and installation industry.

(2) Desalination of seawater

Taiwan is surrounded by sea on all sides, but water resources are still mainly constructed by reservoirs, river weirs and surface water use. However, the complicated and difficult process of constructing reservoirs and river weirs has led to the diversification of water resources development, but among the current new water development methods, seawater desalination has the advantages of not being affected by drought, short construction time, large flexibility in capacity expansion, small land area and less impact on ecology. We can use it more conveniently when we are surrounded by the sea. In addition, the Water Resources Department of the Ministry of Economic Affairs and the Taoyuan County Government are actively promoting the "Private Participation in the Taoyuan Desalination Plant Project", and the 200,000-ton desalination plant in Tainan under planning by the Water Resources Department is also under active planning.

The first containerized desalination plant has been acquired on 2018.02.05, and the first containerized desalination project has been fully utilized in the emergency desalination project in Nanliao, Hsinchu in February 2021 to provide stable water supply. The second containerized desalination unit in Hsinchu is the containerized desalination unit planned by Saudi Arabia, which is now also conducive to the business development of Saudi Arabia.

(3) Water treatment works

In order to provide a stable supply of sufficient quantity and quality of tap water to all water supply areas, the government not only actively develops, manages, and deploys limited water resources, but also builds dedicated water purification plants in new scientific and professional parks in line with industrial development, or updates and expands the treatment facilities of existing water purification plants in response to changes in population concentration trends. On the other hand, in order to enhance the competitiveness of national development and improve the living environment, and to ensure that the limited water resources are not polluted, it is an important direction for the government to accelerate the construction of sewerage systems and takeover of users, as well as to implement the recycling and reuse of water from public sewage plants.

4. Competitive niche.

(1) Consistent production process control to effectively reduce production costs.

The Group's competitive advantage is that it has consistent production process control, which effectively reduces the time for semi-finished products to lag in the production process, which not only reduces production time costs, but also increases daily production volume and significantly reduces product manufacturing costs.

(2) Good quality of personnel, excellent product quality, increase the competitive niche

Therefore, we attach great importance to the welfare and training of our employees so that they can have rich production skills and experience to produce various kinds of tubes with excellent quality, which are recognized by our manufacturers and customers. In addition, in order to ensure the quality, the Group has passed the ISO9002 international quality certification by the Ministry of Economic Affairs in 1998, so that the manufacturing quality can reach the international requirements and fulfill the production requirements of quality first.

(3) The Group has a research and development department to effectively improve production problems and production management

The Group also has an R&D department that can develop new production equipment, develop new pipes, introduce new manufacturing technologies and specifications, enhance factory production capabilities, create new markets, improve manufacturing quality, and have the ability to address the specific needs of various pipes. Therefore, we have the best quality of products, which is the most distinctive competitive advantage of the Group.

(4) Actively participate in joint contracting system to enhance pipe manufacturing and contracting capabilities

The Group not only has a good track record of pipe manufacturing and sales, but also has a wealth of pipe installation technology. In addition to the implementation of the government's joint contracting system, the Group also requires perfect pipe quality and project quality in order to enhance the Group's competitiveness by achieving the division of labor and technology exchange among the joint manufacturers for the completion of major public works projects.

5. Favorable and Unfavorable Factors in the Long Term.

(1) Pipe manufacturing and assembly

A. Favorable Factors.

- a. The EDC's "Comprehensive Land Development Plan" released a large amount of land for use, which will help the demand of the water transmission and distribution installation market.
- b. The Executive Yuan has promoted the "Revitalizing Economy and Expanding Public Construction Investment Program" to speed up the release of water and sewerage projects; in addition, the continuous investment and construction of large industrial parks in the country are favorable to the market demand for water transmission and distribution pipeline installation.
- c. In 1998, the Group obtained ISO9002 certification, which can enhance the competitiveness in quality, cost, delivery, and work safety.
- d. In 2003, the Group obtained the Certificate of Accreditation of the Laboratory Certification System of the Republic of China, which provides more assurance for product inspection and quality.
- e. The Group has the technology development capability to develop new products and improve old products' shortcomings to enhance market competitiveness.

- f. Looking around the global market, emerging developing countries around the world are expanding their pace of economic reform, and the economic growth will certainly drive the demand for various water resources, and the governments of various countries will certainly invest a lot of money in water resources planning and transportation.
- g. The serious problem of global warming will accelerate the construction of water resources, which is bound to drive the development of water resources-related industries.

B. Unfavorable Factors.

- a. The construction right-of-way is difficult to obtain and is often subject to irrational protests by the public.

Countermeasures.

- (a) Use of public power resources.
- (b) Enhance coordination and communication skills.
- (c) Using advanced methods to reduce the impact on people's lives.
- b. People's living standards have risen and their willingness to work has fallen, so the rise in wages is not conducive to competition in the industry.

Countermeasures.

- (a) In line with the government's policy of opening up to foreign workers, we will appropriately import foreign workers through legal channels to alleviate the manpower shortage.
- (b) To improve the manufacturing process and introduce automated production equipment to reduce the need for manpower.
- (c) Enhance employee education and training and improve employee welfare to reduce employee turnover.

(2) Water treatment works

A. Favorable Factors.

- a. Six to seven medium to large scale water purification plants will be contracted out in the next five years to meet the demand for economic development and equipment renewal and expansion. In addition, the "Forward-looking Infrastructure Project" has been promoted since 2017, of which "Water Environment Construction" is scheduled to run until 2024, which will bring business opportunities.
- b. Since water purification plants or water recycling centers (municipal wastewater treatment plants) turnkey projects require the integration of civil, mechanical, instrumentation and electrical construction technologies, and most domestic environmental engineering companies are small and medium-sized, there are few willing and competitive companies.
- c. In the water treatment field, in addition to the completion of the "Linnai Water Treatment Plant" and "Hushan Water Treatment Plant" contracts, the Group also participated in the design of the fast-filter equipment and the installation of electrical and mechanical piping for the "Weng Park Advanced Water Treatment" project, and completed the construction of the "Zhunan Toufen" and "Houlong" water recycling centers. The project team has performed design, cost control, construction management, commissioning and adjustment, etc. without any difficulties.

B. Unfavorable Factors.

- a. The budgeting process is lengthy and does not reasonably reflect actual prices when bidding.

In response to the measures.

- (a) Pay close attention to the tendering process and fully grasp the price fluctuation information of each material.
- (b) To respond to the project organizer with the actual impact.
- b. The whole project is executed in a long period of time, which may affect the completion of the whole project due to the delay of key items.
 - In response to the measures.
 - (a) Establish a detailed project execution plan and strictly control the completion schedule of each work.
 - (b) Where permitted, multiple working faces will be constructed simultaneously to shorten the hardware construction period.
- c. As a turnkey project, the payment terms are more stringent and require more working capital.
 - In response to the measures.
 - In line with the project execution plan, establish a budget execution process and strictly control all costs and expenditures.

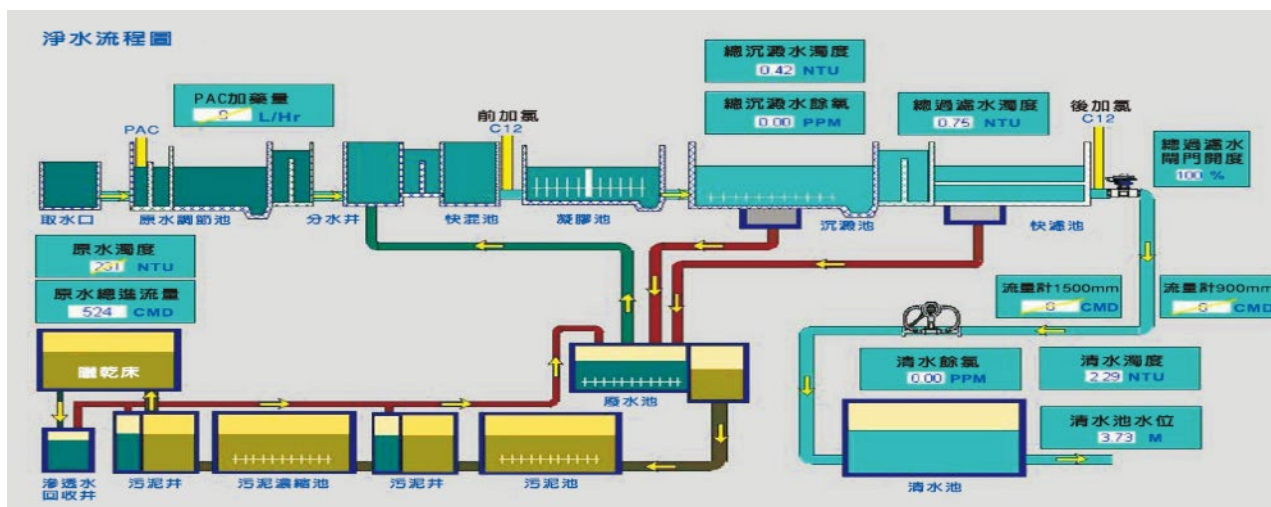
(2) Production Procedures of Main Products.

1. Major Products and Their Main Uses.

Major Products	Main Uses
Concrete pipes (including concrete pipes, steel-lined pre-force concrete pipes, non-steel-lined pre-force concrete pipes, concrete pipes for propulsion)	Concrete pipes are suitable for water, industrial water, waste water, rainwater and other pipelines. Among them, the concrete pipe for pushing is designed for pushing method.
Steel Pipe Straight Pipe	It is suitable for rainwater, sewerage, water transmission pipes, various water resources transmission, oil pipes, gas pipes, etc.
Ductile cast iron pipe	Suitable for rainwater, sewage and water transmission, DIP for pushing and for pushing construction of pressure pipelines.
Flexible tube	It is suitable for transporting water, oil and other fluids and can prevent damage caused by earthquakes, ground subsidence or pumping vibrations. Pipelines for seawater transmission in desalination plants can be used for connecting off-site pipelines in plants and for process pressure pipelines.
Steel Pipe for Propulsion	It is suitable for water, rainwater, sewerage, and all kinds of water conveyance and promotion method.
Polyethylene Covered Steel Pipe	All kinds of chemical, gas, petroleum, water treatment, water pipeline, sewage pipeline, fire protection pipeline, corrosive liquid transmission, etc.
Steel parts	Used for various types of pipe connections.
Contracting	Various types of water pipes, water distribution pipes, sewerage pipes, submarine pipelines, marine works and sand pumping and dredging works.
Desalination of seawater	The desalinated seawater is suitable for drinking water and industrial water. Smaller units are used to provide fresh water for ships, small islands, hotels and lodges.
Large diameter stainless steel filter tube	River vadose water, rainwater, desalination water extraction, etc.
Double-layer steel pipe with extra large diameter for reservoir dredging	Reservoir dredging.

2.Product Manufacturing Processes

A. Water treatment process





Zhunan Toufen Water Reclamation Centre

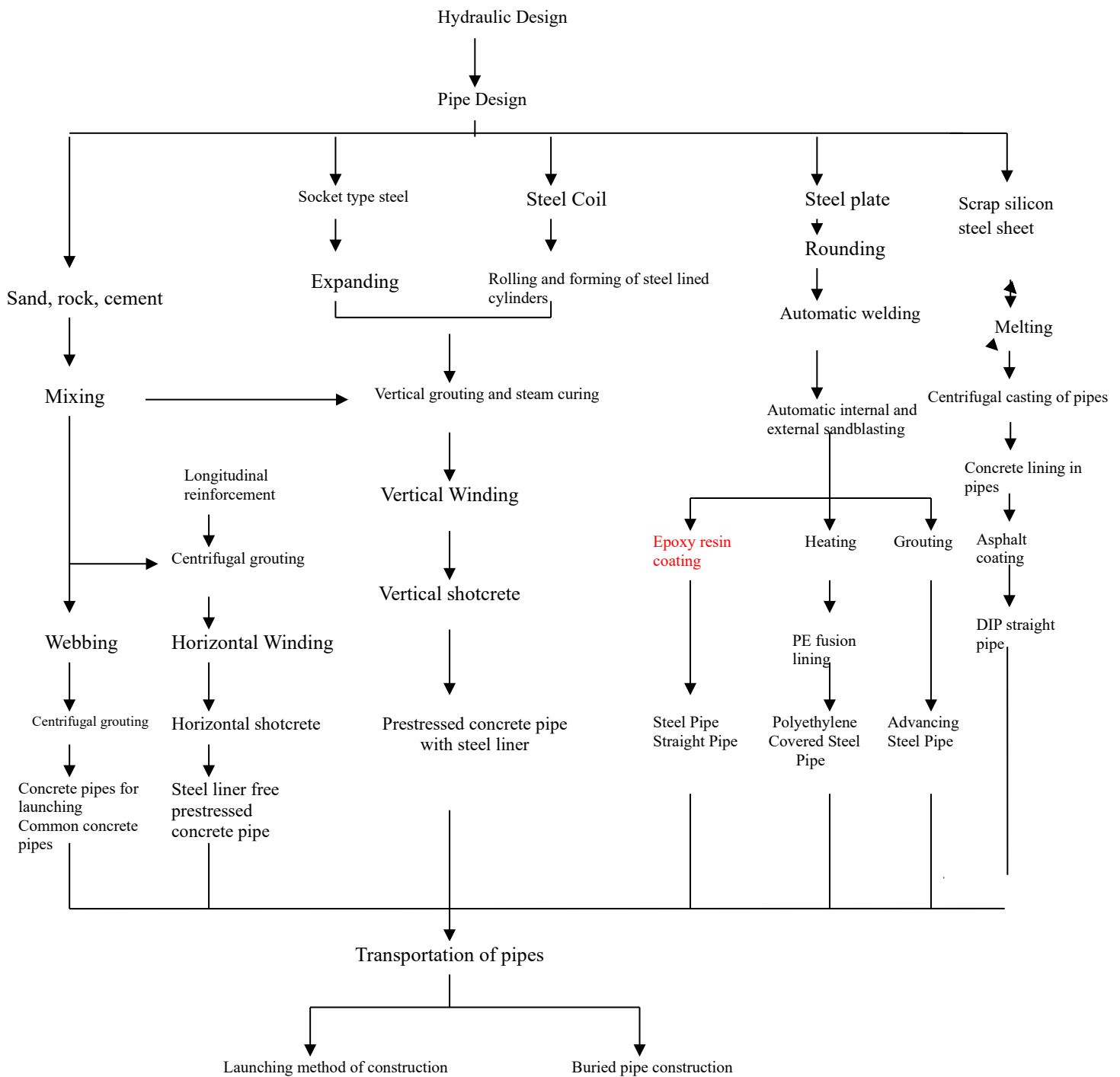


Hushan Water Treatment Plant

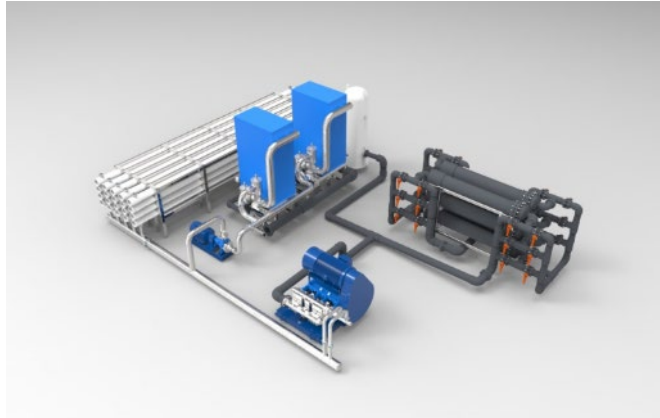
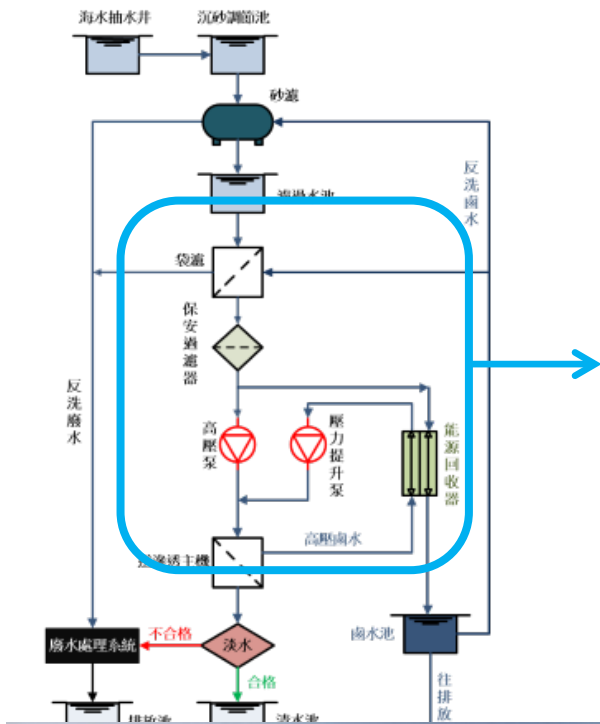


Houlong Township Water Reclamation Centre, Miaoli County

B. Manufacture and Installation of Pipes

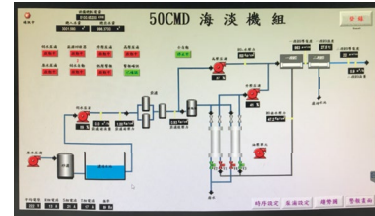


C. Desalination of seawater



2000CMD unit factory photo





Computer Interface
電腦圖控畫面



Inside of Container
貨櫃內設備

50CMD containerized desalination unit at Hualu, Wangan Township, Penghu County



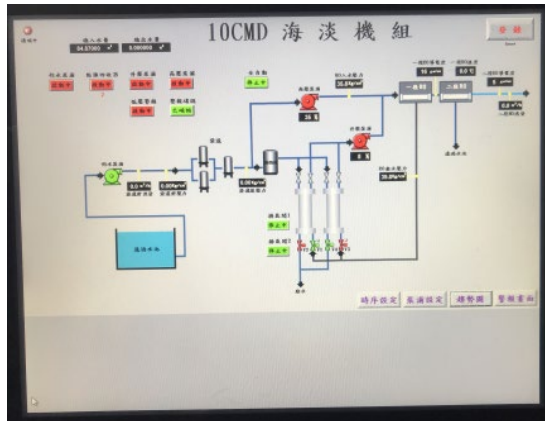
Aerial view of Daikinmen 4000CMD seawater plant



Daikinmen 4000CMD desalination plant has been completed.



Makong Desalination Plant No.2 4000CMD project was opened in April 2021.





The 10CMD
small

desalination

unit has entered into trial operation.



KUO TOONG mobile desalination unit



On Jan. 27, 2021, the Director of Water Resources Agency Visits Hsinchu Desalination Project



Water production and delivery facilities



On Feb. 13, 2021, President Tsai visited the emergency seawater facilities in Hsinchu on the second day of the Lunar New Year to console the staff.

(3) Supply Status of Main Materials.

Product Group	Major Raw Materials	Supply Situation
Production of water pipes and fittings	Steel bar, steel plate, pre-strength steel wire, cement, gravel, black iron wire, scrap steel, silicon steel sheet	Except for steel plates, which are partially imported, all other raw materials are procured domestically, and there are many domestic suppliers, so the supply situation is normal.
Installation of water distribution pipes	Reinforcing steel, cement, gravel, asphalt, transmission and distribution pipes, valves and fittings	Most of the distribution pipes and fittings are produced by the Company itself, while the rest of the raw materials are supplied by domestic manufacturers and are in normal supply.

(4) Major Suppliers and Clients.

1. Major Suppliers in the Last Two Calendar Years

Unit: NT\$ thousands

Item	2020				2021				As of March 31, 2022			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Yongan Dingxin Casting Co., Ltd.	548,078	28.20%	None	Yongan Dingxin Casting Co., Ltd.	505,470	18.08%	None	Yongan Dingxin Casting Co., Ltd.	149,220	24.80%	None
									Xinxing Casting Pipe Company Limited Guangzhou Sales Branch	62,750	10.43%	None
	Others	1,395,179	71.80	-	Others	2,290,145	81.92	-	Others	389,659	64.77%	-
	Net Total Supplies	1,943,257	100.00%		Net Total Supplies	2,795,615	100.00%		Net Total Supplies	601,629	100.00%	

Explain the reason for the change:

- (1) The Group had a large number of sub-contractors and raw material suppliers for 2021, except for Yongan Dingxin Casting Company Limited, Yongan Zhong Dingxin Material Technology Company Limited and Xinxing Casting Pipe Company Limited Guangzhou Sales Branch, there was no supplier whose purchase amount accounted for 10% of the net purchase amount for the year.

(2) 2. Major Clients in the Last Two Calendar Years

(3) Unit: NT\$ thousands

Item	2020				2021				As of March 31, 2022			
	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer	Company Name	Amount	Percent	Relation with Issuer
1	Miaoli County Government	722,761	19.49%	None	WRA, MOEA	884,167	19.13%	None	WRA, MOEA	195,186	20.23%	None
2	Taiwan Water Corporation	635,490	17.14%	None	BES Engineering Inc.	510,549	11.05%	None	Taiwan Water Corporation	128,327	13.30%	None
3	Chenzhou City Water Co., Ltd.	397,159	10.71%	None	Taiwan Water Corporation	505,593	10.94%	None				
4												
	Others	1,952,901	52.66%	-	Others	2,720,72	58.88%	-	Others	641,277	66.47%	-
	Net Sales	3,708,311	100.00%		Net Sales	4,621,035	100.00%		Net Sales	964,790	100.00%	

Explain the reason for the change:

- (1) The decrease in revenue to Miaoli County Government in 2021 as compared to 2020 was mainly due to the decrease in input project costs in 2021 as compared to 2020, and the project revenue was recognized based on the ratio of the amount of input costs to total costs.
- (2) The decrease in revenue from Taiwan Water Corporation in 2021 compared to 2020 was mainly due to the near completion of the project contracted by Taiwan Water Corporation.
- (3) The increase in revenue from Chenzhou City Water Co., Ltd. in 2021 as compared to 2020 was mainly due to the increase in pipe shipments to meet the actual construction progress of the owners and the fact that most of the pipes sold were high unit price products.
- (4) The increase in revenue from the Water Resources Bureau of the Ministry of Economic Affairs for 2021 as compared to 2020 was mainly due to the increase in input costs in 2021 as compared to 2020, and the revenue was recognized based on the ratio of input costs to total costs.
- (5) The increase in revenue from Chung Hwa Engineering Co., Ltd. in 2021 as compared to 2020 was mainly due to the increase in the delivery of pipes to meet the actual construction progress of the owner and the fact that most of the pipes sold were high unit price products.
- (6) The Group had a large number of customers in 2021, except for the Southern Water Resources Bureau of the Water Resources Administration, Ministry of Economic Affairs, Chung Hwa Engineering Corporation and Taiwan Water Supply Corporation.

(5) Production in the Last Two Years.

Unit: NT\$ thousands

Quantity \ Year	2021		2020	
	Production	Product Value	Production	Product Value
Steel Pipe Straight Pipe	1376.10M	68,736	837.00M	14,549
Steel parts	1	147,090	1	32,799
Ductile cast iron pipe	71,220	2,084,510	68,521	1,869,694
DIP alternative	1	2,039	1	4,921
Casing	47	1,790	83	1,744
Short tube	21	1,052	41	1,793
Bend Tube	64	7,450	18	2,332
Pressure circle	2,295 sets	8,341	2,449 sets	7,557
Contracting	1	1,067,700	1	776,653
Seawater	3,420,184 degrees	125,449	1,956,270 degrees	66,193
Operation Maintenance	1	108,775	1	95,476
Other	1	790	1	8,075
Total	—	3,623,722	—	2,881,786

Note: The Company's production capacity is not shown because of the variety of products, specifications and grades, and therefore the production mix of production machines is diverse and the capacity utilization rate varies greatly.

(6) the last two years of sales value table

Unit: NT\$ thousands

Product \ Year	2021				2020			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Steel Pipe Straight Pipe	972.50M	27,926	0	0	504.00M	13,554	0	0
Steel parts	1	38,244	0	0	1	35,661	0	0
Ductile cast iron pipe	1,927	563,573	76,357	1,877,894	2,403	516,155	78,245	1,789,272
DIP alternative	1	5,352	0	0	1	10,428	0	0
Casing	83	9,167	0	0	59	4,958	0	0
Short tube	37	3,974	0	0	61	2,300	0	0
Bend Tube	14	7,685	0	0	49	4,354	0	0
Pressure circle	803 sets	12,813	0	0	548 sets	6,715	0	0
Contracting	1	1,534,967	0	0	1	912,559	0	0
Seawater	3,626 thousand degrees	156,070	0	0	1,956 thousand degrees	94,326	0	0
Operation Maintenance	1	123,102	0	0	1	113,902	0	0
Other	1	230,363	1	29,905	1	170,800	1	33,327
Total	—	2,713,236	—	1,907,799	—	1,885,712	—	1,822,599

III.The number of workers in the last two years

Mar.3, 12022

	Year	2020	021	Current year ending March 31, 2022
Staff Number of people	Direct Staff	447	440	419
	Indirect Employees	262	230	237
	Total	709	670	656
Average age (Note)		37.22	39.62	37.71
Average Length of Service (Note)		5.75	7.11	6.15
Education Distribution Ratio (Note)	PhD	0.18%	0.00%	0.00%
	Master	4.76%	4.1%	4.56%
	Great Expertise	36.71%	41.74%	42.36%
	High School	28.42%	29.3%	29.06%
	Below high school	29.95%	24.86%	24.02%

Note: Average age, average years of service, and education distribution ratio do not include foreign workers.

IV.Information on Environmental Expenditures

- (1) For the most recent year and as of the printing date of the annual report, the losses suffered as a result of environmental pollution (including compensation and environmental protection audit results for violations of environmental protection laws and regulations, the date of the penalty, the word number of the penalty, the provision of the violation, the content of the violation, and the content of the penalty should be listed), and disclose the estimated amount of current and possible future occurrences and measures to address them.

Disposition Date	Disposition	Violation of the provisions of the law, the contents and penalties	Amount of fine	Countermeasures
2021.06.11	Ping-fu-huan-shuei-11032256700	The wastewater treatment of the Xin Yuan factory is not in accordance with the content of the permit applied for, which is in breach of the Water Pollution Control Law.	NT\$ 84,000	The permit has been reissued and there is no subsequent breach in the absence of an emission.

- (2) Future countermeasures and possible expenditures: The Company's wastewater is treated in wastewater treatment facilities and then recycled for use in the production process. The Company applied for a water pollution control permit on August 5, 2021 and has been able to reuse the wastewater. However, in order to enhance the environmental protection of the workplace and to comply with the amendment of the environmental protection law, water spraying operations are conducted regularly at the plant and construction sites to reduce the dust on the plant roads. It is estimated that there will be no significant capital expenditure on environmental protection in the future.

V.Labor relations

- (1) Employee welfare measures, further education, training, retirement system and its implementation status, as well as the agreement between employers and employees and various measures to protect the rights and interests of employees.
1. Employee benefits measures.
- (1) Employee bonus and stock option: In order to enable all employees to work together to create profits, after the end of the fiscal year, if there is any surplus, the Company will set aside no less than 2% of the surplus for bonus to all employees, in addition to making up for the losses of previous years and setting aside legal reserve in accordance with the law, and will set aside a certain percentage of the surplus for employees' stock participation in each cash capital increase in accordance with the law.

- (2) Employee health insurance: All employees of the company are in accordance with the relevant government regulations, and do apply for additional retirement insurance work.
- (3) Employee Benefits Committee
- A. The Company shall establish an Employee Welfare Committee in accordance with the law, which shall coordinate and manage various welfare activities for employees and allocate welfare funds to support the activities in accordance with the law.
- B. Employee uniforms: Produce winter and summer uniforms for employees to wear.
- C. Wedding and funeral subsidy: All employees are entitled to the subsidy.
- D. Domestic and international travel: All employees are entitled to subsidies.
- E. Other benefits: Where the Dragon Boat Festival, Mid-Autumn Festival, employees' birthdays, etc. are given appropriate gifts to employees, and there are children's education awards, scholarships, etc.

2. Educational training.

The company provides education and training to the current employees from time to time to improve the efficiency of their work and to cultivate the proper knowledge of their duties. We also provide training to our field personnel on the operation of various machines and licenses. The number of employees, hours and expenses of training and retraining for 202 are as follows:

Project	Number of shifts	Total number of people	Total Hours	Total Cost
1. New personnel training	43	43	258	0
2. Professional Functional Training	35	141	1,982	354,960
Total	78	184	2,240	354,960

3. Retirement system and implementation circumstances:

Pension system	Old system	New system
Legal Basis	Labor Standards Act	Labour Insurance Pensions Ordinance
How to make a withdrawal	Contributed 2% of employees' monthly salaries to the Bank of Taiwan (formerly the Central Trust of Taiwan) in the name of the Company.	Contribute 6% to the individual account of the Labor Insurance Bureau according to the employee's level of insurance
Withdrawal amount	Contribution of NT\$859,000 thousand in 2021	Contribution of NT\$5,106,000 for 2021

4. Inter-employer agreements and protection of employees' rights and interests.

The Company's labor relations have always been harmonious, so there is no labor agreement yet.

(2) For the last two years and as of the printing date of the annual report, the Company has suffered losses due to labor disputes and the estimated amount of current and future losses and measures to address them: The Company has always attached importance to employee welfare and provided an excellent working environment, and has emphasized two-way communication with employees to make the relationship between employers and employees harmonious. In the future, we will continue to improve employee benefits and maintain harmonious labor relations to avoid labor disputes.

VI.Information Security Risk Management

In order to reduce operational risks, the Company recognises the need to develop comprehensive information security practices, measures and regulations to protect the Company's critical information assets for the purpose of reducing operational risks.

(1)Information security risk management framework

The Company is exposed to various possible information security threats. In order to reduce the probability and impact of the occurrence of risks and to enhance the Company's ability to sustain operations, the Company identifies and manages high-risk issues through risk assessment and internal audits to reduce the likelihood and impact of information risks, which are described as follows:

- 1.Fraudulent groups using spoofed emails to trick employees into sending money or making transactions.
- 2.Commercial spies or competitors use hacking techniques to break into computers using viruses and malware.
- 3.Commercial spies or competitors use hacking techniques to continuously infiltrate internal hosts and steal internal corporate data.
- 4.Failure to implement multi-level permissions and password control, leading to increased risk of confidential document leakage.
- 5.Criminal groups combine with hackers to distribute content with malicious links via email, SMS, social software and communication software, enticing employees to be deceived.
- 6.Hackers are sending out large numbers of connection requests over the Internet, disrupting normal company network operations.
- 7.Natural disasters or accidents that cause damage to information hardware, software or data, resulting in service interruptions or data loss.

(2)Information and Communication Security Policy and Objectives

In order to maintain the effectiveness of the Company's information security, it is planned that an Information Security Committee will be established, which shall assign dedicated staff to the Information Security Department and regularly track the results of the implementation of the anti-virus system, firewall, mail filtering system, backup power system, etc., in order to ensure the confidentiality, integrity and availability of the Company's information systems and to prevent unauthorized access, use, control, leakage, destruction, tampering, destruction or other infringement of information or information systems. In order to protect the interests of the Company and all employees by ensuring the confidentiality and availability of the Company's information systems, and to prevent unauthorized access, use, control, leakage, destruction, tampering or other infringement of information or information systems, it is expected that an information security policy will be established as follows:

- 1.A mechanism for information security risk management shall be established and the effectiveness of information security risk management shall be reviewed regularly in light of changes in information security within the Company and in the external environment.
- 2.Unauthorised access, use, control, leakage, destruction and tampering shall be avoided to protect the confidentiality and integrity of information security.
- 3.To enhance the security of core information systems at all times to ensure that the business of the institution remains operational.
- 4.In order to prevent threats to data security, we shall conduct data security education and training to raise awareness of data security among our staff.
- 5.Prohibit the opening of emails from unknown or unidentifiable senders.

(3)Specific Information and Communications Management Solutions

Through the annual risk assessment, we identify the risk items of our company's information and communication security from the combination of potential weaknesses and threats, and achieve the purpose of risk control through information security management rules and regulations, the actual implementation of internal audits and the strengthening of information security education and training. The key measures are as follows:

- 1.Set up mail filters to prevent viruses and filter spam to reduce the risk of mail attacks.
- 2.Install anti-virus software on all servers and personal computers, and scan computers automatically and regularly on a weekly basis to prevent the intrusion of viruses and malicious programs.
- 3.Implement multi-level privilege and password control for different users of various information and communications systems to control access rights.
- 4.Regular internal audits are carried out to improve the operation of the information and communications systems and to refine the effectiveness of the information security management system.
- 5.Build a hardware firewall to control the traffic and applications of the Internet network.
- 6.Centralized management of hosts, establishment of temperature monitoring and warning mechanisms in server rooms, and regular data backup.
- 7.Regular internal audits are conducted to improve the operation of the information security system.

(4)Resources Invested in IT Security

The Company regularly invests resources on information security-related matters every year, such as equipment hardware such as anti-virus system, backup system, firewall, VPN

network, power backup system, etc.; information security management such as regular internal audits and information security orientation for new employees every year, etc., to unify the equipment management level to the personnel management level to increase information security capability.

(5) Information security incidents

No major information security incidents have occurred so far in 2021.

VII. Significant contracts as of the date of printing.

Nature of Contract	Parties	Dates of commencement of contract	Main content	Restricted Terms
Sales Contract	Taiwan Water Corporation	Aug. 2019~July 2023	Penghu adds 3,000 tons of desalination water procurement contract for desalination unit plant	None
Sales Contract	BES Engineering Corporation	March 2020~June 2023	The procurement of pipe for the A1 bid of the Zengwen South China Chemical Union Piping System Package Project	None
Engineering Contract	Taiwan Water Corporation	Sep. 2019~Dec. 2021	Bird's mouth pool artificial lake downstream - water supply pipe A-1 project	None
Engineering Contract	Southern Region Water Resources Office, Water Resources Agency, MOEA	May 2020~May 2024	Tender A2 for Zengwen South China Chemical Union Piping System Package Project	None
Engineering Contract	Taiwan Water Corporation	July 2018~July 2021	Feng Shan Water Treatment Plant Minsheng Water Supply Main Replacement Pipeline Project(1)	None
Engineering Contract	Taiwan Water Corporation	May 2018~July 2021	Feng Shan Water Treatment Plant Minsheng Water Supply Main Replacement Pipeline Project (3)	None
Engineering Contract	Taiwan Water Corporation	March 2020~Dec. 2021	Taichung-Railway Green Air Corridor Backup Water Pipeline(1) One	None
Credit Agreement	Taipei Fubon Commercial Bank and 7 other credit-granting banks	Sep. 2013~June 2028	Financing of Sewer Construction Needs	Note 1
Credit Agreement	First Commercial Bank Xiamen Branch and other 5 credit-granting banks	Sep. 2019~Aug. 2022	Repayment of existing financial liabilities, purchase of machinery and equipment and financing of medium-term purchase of materials	Note 1
Other	Miaoli County Government	Dec. 2008~Dec. 2043	Investment contract for the construction, operation, and transfer of sewerage construction project	Note 2
Other	Taiwan Water Corporation	Dec. 2005~Dec. 2027	Private participation in the construction and operation of the desalination plant on the west island of Penghu	Note 2
Other	Taiwan Water Corporation	Project: April 27, 2021 Acceptance Substitute operation maintenance. 15 years from the day after the completion and acceptance date of new construction	Construction of additional 4,000 tons desalination plant in Magong (Magong Second Desalination Plant Phase I) and commissioning of operation and maintenance	None
Other	Miaoli County Government	Project: July 6, 2020 Acceptance Operation maintenance. 3 years from the day after the completion and acceptance date of the project	Miaoli County Houlong Township Water Reclamation Center Phase I Project (including 3-year trial operation and maintenance) Follow-up Project	None
Other	Kinmen County Water Supply Plant	Substitute operation maintenance. Jan. 11, 2019~Jan. 10, 2024	Operation and maintenance of Daikinmen Desalination Plant	None

Note 1: Please refer to page 153 of this annual report for the restrictions.

Note 2: Please refer to pages 180-183 of this annual report for the restrictions.

VI. Financial Overview

1. Condensed balance sheet and comprehensive income statement for the last five years

(1) Condensed balance sheet and comprehensive income statement information.

1. Condensed Balance Sheet (Consolidated)

Unit: NT\$ thousands

Item \ Year	The last five years of financial information					March 31, 2022 Financial Information (Note 1)
	2017	2018	2019	2020	2021	
Current assets	5,105,693	5,689,916	4,649,780	5,419,652	6,439,829	6,475,429
Property, plant and equipment	1,495,795	1,423,870	1,522,243	1,510,849	1,399,304	1,429,248
Intangible assets	774,129	1,019,969	1,223,580	1,254,167	1,365,568	1,395,646
Other Assets	4,389,197	4,083,276	4,758,577	4,482,581	4,080,011	4,124,152
Total Assets	11,764,814	12,217,031	12,154,180	12,667,249	13,284,712	13,424,475
Current liabilities	Pre-distribution	5,250,357	4,737,067	4,062,331	4,243,088	4,531,560
	After distribution	5,250,357	4,759,651	4,119,653	(Note 3)	(Note 3)
Non-current liabilities	1,292,865	1,448,185	1,648,979	1,933,943	2,010,161	2,213,279
Total liabilities	Pre-distribution	6,543,222	6,185,252	5,711,310	6,177,031	6,541,721
	After distribution	6,543,222	6,207,836	5,768,632	(Note 3)	(Note 3)
Equity attributable to owners of the parent company	3,769,346	3,957,541	4,375,287	4,423,648	4,801,033	4,859,758
Share Capital	2,258,366	2,258,366	2,492,242	2,480,782	2,480,782	2,480,782
Capital Fund	1,310,354	1,307,802	1,478,537	1,470,181	1,470,181	1,470,181
Retention Surplus	Pre-distribution	289,143	539,609	672,170	714,438	1,099,624
	After distribution	289,143	517,025	614,848	(Note 3)	(Note 3)
Other interests	(88,517)	(148,236)	(267,662)	(241,753)	(249,554)	(200,334)
Treasury Stocks	0	0	0	0	0	0
Non-controlling interests	1,452,246	2,074,238	2,067,583	2,066,570	1,941,958	1,889,722
Total equity	Pre-distribution	5,221,592	6,031,779	6,442,870	6,490,218	6,742,991
	After distribution	5,221,592	6,009,195	6,385,548	(Note 3)	(Note 3)

Note 1: The Company's financial statements for the first quarter of 2022 have been reviewed by the accountants.

Note 2: The Company's financial information is not subject to correction or restatement as notified by the competent authorities.

Note 3: On Mar. 31, 2022, the Board of Directors approved the cash dividend of NT\$0.50 per share from the undistributed earnings of 2021, which will be presented to the shareholders' meeting on June 9, 2022.

2. Condensed Consolidated Statements of Income (Consolidated)

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) per Share)

Item \ Year	The last five years of financial information					Financial information for the year ended March 31, 2022 (Note 1)
	2017	2018	2019	2020	2021	
Operating income	3,201,074	4,873,679	3,825,565	3,708,311	4,621,035	964,790
Gross (loss) operating profit	51,385	846,956	702,033	841,651	1,068,464	173,872
Operating (loss) income	(283,738)	464,108	369,012	366,816	595,807	18,128
Non-operating income and expenses	(61,878)	(104,373)	(75,962)	(149,553)	(104,644)	(42,775)
Net (loss) income before income tax	(345,616)	359,735	293,050	217,263	491,163	(24,647)
Net (loss) income of the continuing operating segment for the period	(337,305)	250,927	254,040	114,825	327,037	(55,199)
Loss of business units (Note 2)	0	0	0	0	0	0
Net (loss) profit for the period	(337,305)	250,927	254,040	114,825	327,037	(55,199)
Other comprehensive income (net of tax) for the period	(9,055)	(50,237)	(146,550)	9,661	(12,244)	61,688

Total consolidated profit or loss for the period		(346,360)	200,690	107,490	124,486	314,793	6,489
Net (loss) profit attributable to owners of the parent company		(343,028)	227,564	192,477	125,071	448,367	9,505
Net (loss) income attributable to non-controlling interests		5,723	23,363	61,563	(10,246)	(121,330)	(64,704)
Total consolidated profit or loss attributable to owners of the parent company		(383,209)	190,747	69,595	125,499	439,405	58,725
Total consolidated profit or loss attributable to noncontrolling interests		36,849	9,943	37,895	(1,013)	(124,612)	(52,236)
Earnings per share (NT\$)	Retroactively adjusted before	(1.52)	1.01	0.81	0.50	1.81	0.04
	After retroactive adjustment	-	0.99(Note 3)	-	-	-	-

Note 1: The Company's financial statements for the first quarter of 2022 have been reviewed by the accountants.

Note 2: Losses from discontinued operations are shown net of income taxes.

Note 3: Adjusted retroactively for the Company's release of stock dividends in 2018.

3. Condensed balance sheet (parent company only)

Unit: NT\$ thousands

Item \ Year		The last five years of financial information				
		2017	2018	2019	2020	2021
Current assets		2,539,207	2,605,287	2,892,950	3,229,234	4,057,445
Property, plant and equipment		444,465	408,143	357,765	354,577	316,052
Intangible assets		1,058	704	1,172	466	296
Other Assets		4,521,754	3,811,876	3,730,746	3,622,782	3,103,406
Total Assets		7,506,484	6,826,010	6,982,633	7,207,059	7,477,199
Current liabilities	Pre-distribution	3,515,572	2,602,585	2,095,473	2,202,786	2,170,727
	After distribution	3,515,572	2,625,169	2,152,795	2,264,806	(註 2)
Non-current liabilities		221,566	265,884	511,873	580,625	505,439
Total liabilities	Pre-distribution	3,737,138	2,868,469	2,607,346	2,783,411	2,676,166
	After distribution	3,737,138	2,891,053	2,664,668	2,845,431	(註 2)
Share Capital		2,258,366	2,258,366	2,492,242	2,480,782	2,480,782
Capital Fund		1,310,354	1,307,802	1,478,537	1,470,181	1,470,181
Retention Surplus	Pre-distribution	289,143	539,609	672,170	714,438	1,099,624
	After distribution	289,143	517,025	614,848	652,418	(註 2)
Other interests		(88,517)	(148,236)	(267,662)	(241,753)	(249,554)
Treasury Stocks		0	0	0	0	0
Total equity	Pre-distribution	3,769,346	3,957,541	4,375,287	4,423,648	4,801,033
	After distribution	3,769,346	3,934,957	4,317,965	4,361,628	(註 2)

Note 1: The Company's financial information is not subject to correction or restatement as notified by the competent authorities.

Note 2: On Mar.31, 2022, the Board of Directors approved the cash dividend of NT\$0.50 per share from the undistributed earnings of 2021, which will be presented to the shareholders' meeting on June 9, 2022.

4. Condensed comprehensive income statement (parent company only)

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) per Share)

Item \ Year		The last five years of financial information				
		2017	2018	2019	2020	2021
Operating income		1,210,171	2,024,804	1,512,684	1,400,128	2,346,646
Gross (loss) operating profit		(240,992)	389,832	262,484	307,495	799,589
Operating (loss) income		(305,145)	303,504	135,136	220,663	714,364

Non-operating income and expenses		(56,098)	(1,653)	46,361	(64,624)	(142,131)
Net (loss) income before income tax		(361,243)	301,851	181,497	156,039	572,233
Net (loss) income of the continuing operating segment for the period		(343,028)	227,564	192,477	125,071	448,367
Loss of closed units (Note 1)		0	0	0	0	0
Net (loss) profit for the period		(343,028)	227,564	192,477	125,071	448,367
Other comprehensive income (net of tax) for the period		(40,181)	(36,817)	(122,882)	428	(8,962)
Total consolidated profit or loss for the period		(383,209)	190,747	69,595	125,499	439,405
Earnings per share (NT\$)	Retroactively adjusted before	(1.52)	1.01	0.81	0.50	1.81
	After retroactive adjustment	-	0.99(Note 2)	-	-	-

Note 1: Losses from discontinued operations are shown net of income taxes.

Note 2: Adjusted retroactively for the Company's release of 2018 stock dividends.

(2) The names of the accountants and their audit opinions for the last five years:

Year	Accounting Firm	Name of CPA	Audit Opinion
2017	KPMG Taiwan	CHEN, KUO-TSUNG; HSU, CHEN-LUNG	Unqualified Opinion
2018	KPMG Taiwan	CHEN, KUO-TSUNG; HSU, CHEN-LUNG	Unqualified Opinion
2019	KPMG Taiwan	SU, YEN-TA; CHEN, HUI-YUAN	Unqualified Opinion
2020	Ernst & Young Taiwan	HUANG, SHIH-CHIEH; LI, FANG-WEN	Unqualified Opinion
2021	Ernst & Young Taiwan	HUANG, SHIH-CHIEH; LI, FANG-WEN	Unqualified Opinion

2. Financial analysis for the last five years

(1) International Financial Reporting Standards (IFRSs) (Consolidated):

Item \ Year	Financial analysis for the last five years (Note 1)					Financial analysis for the year ended March 31, 2022 (Note 2)
	2017	2018	2019	2020	2021	
Debt to assets ratio (%)	55.62	50.63	46.99	48.76	49.24	49.72

Financial Structure	Long-term capital as a percentage of property, plant and equipment Backup ratio (%)	435.52	525.33	531.57	557.58	625.54	627.10
Repayment Capabilities	Mobility ratio (%)	97.24	120.11	114.46	127.73	142.11	145.13
	Quick Ratio (%)	65.99	63.31	65.88	66.92	73.22	74.98
	Interest cover multiplier	-2.73	5.53	4.48	3.53	6.00	0.19
Operating capability	Receivables turnover rate (times)	4.28	5.97	4.20	4.08	5.30	1.32
	Average number of days of receipt	85.28	61.13	86.90	89.46	68.86	69.13
	Inventory turnover rate (times)	1.03	1.95	1.39	1.38	1.42	0.96
	Turnover rate of accounts payable (times)	2.66	2.87	2.53	2.82	3.56	0.30
	Average days to sell	354.36	187.17	262.58	264.49	257.04	304.17
	Property, plant and equipment turnover rate (times)	2.27	3.34	2.60	2.45	3.18	0.66
	Total Asset Turnover (Times)	0.27	0.41	0.31	0.30	0.36	0.07
Profitability	Return on Assets (%)	-2.23	2.62	2.64	1.48	3.13	-0.24
	Return on Equity (%)	-6.57	4.46	4.07	1.78	4.94	-0.83
	Net income before income tax to paid-in capital (%)	-15.30	15.93	11.76	8.76	19.80	-0.99
	Net Profit Rate (%)	-10.54	5.15	6.64	3.10	7.08	-5.72
	Earnings per share (NT\$)	-1.52	0.99	0.81	0.50	1.81	0.04
Cash Flows	Cash flow ratio (%)	18.31	0	0	0	0.87	4.12
	Cash flow fair ratio (%)	61.94	40.07	52.25	62.85	70.43	-86.46
	Cash reinvestment ratio (%)	14.59	0	0	0	0	2.06
Leverage	Operating leverage	0.32	1.50	1.67	1.65	1.39	4.39
	Financial leverage	1.49	1.21	1.30	1.31	1.20	-1.48
Note 1: The financial statements for 2017 to 2021 were audited and certified by the accountants.							
Note 2: The calculation is based on the financial information reviewed by the accountants.							

The change in financial ratios for the last two years is 20%.

1. Financial structure: No change in financial ratios of 20%.

2. Solvency.

(1) The increase in interest coverage multiple in 2021 compared to the same period last year was mainly due to the 26.95% increase in gross operating profit in 2021 compared to 2020.

3. Operating capacity:

(1) The increase in turnover rate of accounts receivable and turnover rate of property, plant and equipment in 2021 compared to the same period last year and the decrease in average collection days compared to the same period last year were due to the 24.61% increase in operating revenues in the current year compared to last year.

(2) The increase in turnover rate of accounts payable in 2021 was due to the 23.93% increase in operating costs in the current year compared to the same period last year.

4. Profitability.

(1) The increase in return on assets, return on equity, net income before tax to paid-in capital, net income ratio and earnings per share in 2021 was mainly due to a 26.95% increase in gross profit from operations compared to 2020 and the recognition of additional income from the Hushan Water Treatment Project in 2021, resulting in an increase in net income after tax in 2021 compared to 2020.

5. In terms of cash flow: No change in financial ratio of 20%.

6. Leverage: No change in financial ratio of 20%.

(2) IFRS (parent company only).

Item	Financial analysis for the last five years (Note 1)				
	2017	2018	2019	2020	2021

Financial Structure	Debt to assets ratio (%)	49.79	42.02	37.34	38.62	35.79
	Long-term capital as a percentage of property, plant and equipment	897.91	1,034.79	1,366.03	1,411.39	1,678.99
	Backup ratio (%)					
Repayment Capabilities	Mobility ratio (%)	72.23	100.10	138.06	146.60	186.92
	Quick Ratio (%)	62.52	66.40	94.24	104.00	139.42
	Interest cover multiplier	-7.65	11.84	6.44	7.03	18.09
Operating capability	Receivables turnover rate (times)	0.61	1.61	1.18	0.87	1.30
	Average number of days of receipt	598.36	226.70	309.32	419.54	280.76
	Inventory turnover rate (times)	1.73	2.58	1.37	1.18	1.55
	Turnover rate of accounts payable (times)	2.19	2.37	2.11	2.26	3.09
	Average days to sell	210.98	141.47	266.42	309.32	235.48
	Property, plant and equipment turnover rate (times)	2.77	4.75	3.95	3.93	7.00
	Total Asset Turnover (Times)	0.15	0.28	0.22	0.20	0.32
Profitability	Return on Assets (%)	-3.88	3.49	3.17	2.05	6.47
	Return on Equity (%)	-8.66	5.89	4.62	2.84	9.72
	Net income before income tax to paid-in capital (%)	-16.00	13.37	7.28	6.29	23.07
	Net Profit Rate (%)	-28.35	11.24	12.72	8.93	19.11
	Earnings per share (NT\$)	-1.52	0.99	0.81	0.50	1.81
Cash Flows	Cash flow ratio (%)	33.39	0	0	0	17.56
	Cash flow fair ratio (%)	143.70	100.24	155.12	290.36	423.02
	Cash reinvestment ratio (%)	25.71	0	0	0	5.17
Leverage	Operating leverage	0.75	1.29	1.60	1.35	1.11
	Financial leverage	1.16	1.10	1.33	1.13	1.05
Note 1: The financial statements for 2017 to 2021 were audited and certified by the accountants.						

The change in financial ratios for the last two years is 20%.

1. Financial structure.

(1) No change in financial ratios of 20%.

2. Solvency.

(1) The increase in current ratio, quick ratio and interest coverage ratio in 2021 compared to the same period last year was mainly due to the recognition of the settlement of the litigation in the Hushan water purification project in 2021..

3. Operating ability.

(1) The increase in turnover rate of receivables, turnover rate of property, plant and equipment and turnover rate of total assets in 2021 compared to the same period last year, and the decrease in average collection days compared to the same period last year, were due to the 67.60% increase in operating revenues in 2021 compared to last year.

(2) The increase in inventory turnover rate and the decrease in average days of sales in 2021 were due to the 39.48% increase in operating costs in 2021 compared to the same period last year.

4. Profitability.

(1) The increase in return on assets, return on equity, net income before tax to paid-in capital, net income ratio and earnings per share in 2021 was mainly due to the 171.92% increase in gross profit from operations compared to 2020 and the recognition of additional income from the Lake Mountain Water Treatment Project in 2021, resulting in an increase in net income after tax in 2021 compared to 2020.

5. In terms of cash flow.

(1) The increase in the cash flow equivalency ratio in 2021 compared to the same period last year was mainly due to the increase in net profit after tax in 2021 compared to 2020.

6. Leverage.

(1) No change in financial ratios of 20%.

The formula for the financial analysis is as follows.

1. Financial Structure

(1) Debt to asset ratio = Total liabilities/total assets.

(2) Long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net property, plant and equipment.

2. Solvency

(1) Current ratio = Current assets / Current liabilities.

(2) Quick ratio = (current assets - inventories - prepaid expenses - contract assets) / current liabilities.

(3) Interest coverage = Net income before income tax and interest expense/Interest expense for the period.

3. Management capability

(1) Turnover rate of accounts receivable (including accounts receivable and bills receivable from operations) = Net sales/average balance of accounts receivable (including accounts receivable and bills receivable from operations) for each period

(2) Average number of collection days = 365/receivable turnover rate.

(3) Inventory turnover = cost of goods sold/average inventory amount.

(4) Turnover rate of accounts payable (including accounts payable and notes payable arising from operations) = Cost of goods sold/average balance of accounts payable (including accounts payable and notes payable arising from operations) for each period.

(5) Average sales days = 365/inventory turnover rate.

(6) Turnover rate of property, plant and equipment = net sales/average net property, plant and equipment.

(7) Total Asset Turnover = Net Sales / Average Total Assets.

4. Profitability

(1) Return on assets = [Profit and loss after tax + interest expense × (1 - tax rate)] / average total assets.

(2) Return on equity = Profit or loss after tax / average total equity.

(3) Net profit margin = profit or loss after tax / net sales.

(4) Earnings per share = (Profit or loss attributable to owners of the parent company - preferred stock dividends) / weighted-average number of shares outstanding.

5. Cash flow

(1) Cash flow ratio = Net cash flow from operating activities / Current liabilities.

(2) Net cash flow fair ratio = Net cash flow from operating activities for the last five years / (capital expenditures + increase in inventories + cash dividends) for the last five years.

(3) Cash reinvestment ratio = (net cash flow from operating activities - cash dividends)/(gross property, plant and equipment + long-term investments + other noncurrent assets + working capital).

6. Leverage

(1) Operating leverage = (net operating revenues - variable operating costs and expenses)/operating income.

(2) Financial leverage = Operating income/(operating income - interest expense).

3. Audit Report of the Audit Committee on the Latest Annual Financial Report

Kuo Toong International Co., Ltd.

Audit Committee Audit Report

The Audit Committee approved and the Board of Directors resolved the Company's report on operations, individual financial statements, consolidated financial statements and appropriation of earnings for the year ended December 31, 2021. HUANG, SHIH-CHIEH and CPA LI, FANG-WEN at Ernst & Young Taiwan have audited the financial statements and consolidated financial statements of the Company for the year ended December 31, 2021, and have issued an unqualified opinion report thereon.

The Audit Committee has the responsibility of overseeing the financial reporting process of the Company.

The certifying accountant, who is responsible for signing the Company's individual financial statements and consolidated financial statements for the year ended December 31, 2021, communicated with the Audit Committee on the following matters.

1. The scope and timing of the audit planned by the certifying accountant have not yet resulted in any significant audit findings.
2. The certifying accountants have provided the Audit Committee with a statement that the personnel of the firms to which they belong who are subject to the independence requirements of the Code of Ethics for Accountants have complied with the independence requirements of the Code of Ethics for Accountants, and no other relationships or other matters have been identified that could be considered to affect the independence of the accountants.
3. In the course of communicating with the Audit Committee on the critical audit issues, the certifying accountant has determined that there are no critical audit issues that need to be communicated in the audit report.

The auditors' report on operations, individual financial statements and consolidated financial statements for the year ended December 31, 2021, which were approved by the Audit Committee and resolved by the Board of Directors, are in compliance with the relevant laws and regulations, and I hereby report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Please review

Yours sincerely

Kuo Toong International Co., Ltd. 2022 Annual Meeting of Shareholders

Audit Committee Convenor: WANG, SEN-RONG /March 31, 2022

4. Financial Statements audited by CPAs for the Most Recent Year

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

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

REPRESENTATION LETTER

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

Very truly yours,

KUO TOONG INTERNATIONAL CO., LTD.

By Hong, Ya-Man

Chairman

31 March 2022

Independent Auditors' Report Translated from Chinese

To KUO TOONG INTERNATIONAL CO., LTD.

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2021 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Operating Revenue

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

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

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

2. The evaluation of accounts receivable

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

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

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

3. Contingent Liabilities – Fines to Overdue Construction

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China on Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2021 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other

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

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan
31 March 2022

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended 31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to the parent company									Non controlling interests	Total Equity
	Common Stock	Capital surplus	Retained earnings			Other equity		Treasury Stock	Subtotal		
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income				
Balance as of 1 January 2020	\$2,492,242	\$1,478,537	\$326,197	\$148,236	\$197,737	\$ (161,612)	\$ (106,050)	\$-	\$4,375,287	\$2,067,583	\$6,442,870
Appropriation and distribution of 2019 retained earning											
Legal Reserve	-	-	18,902	-	(18,902)	-	-	-	-	-	-
Special Reserve	-	-	-	119,426	(119,426)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(57,322)	-	-	-	(57,322)	-	(57,322)
Net income for the year ended 31 December 2020	-	-	-	-	125,071	-	-	-	125,071	(10,246)	114,825
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(25,481)	19,226	6,683	-	428	9,233	9,661
Total comprehensive income	-	-	-	-	99,590	19,226	6,683	-	125,499	(1,013)	124,486
Treasury stock acquired	-	-	-	-	-	-	-	(19,816)	(19,816)	-	(19,816)
Treasury stock retired	(11,460)	(8,356)	-	-	-	-	-	19,816	-	-	-
Balance as of 31 December 2020	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$345,099</u>	<u>\$267,662</u>	<u>\$101,677</u>	<u>\$ (142,386)</u>	<u>\$ (99,367)</u>	<u>\$-</u>	<u>\$4,423,648</u>	<u>\$2,066,570</u>	<u>\$6,490,218</u>
Balance as of 1 January 2021	\$2,480,782	\$1,470,181	\$345,099	\$267,662	\$101,677	\$ (142,386)	\$ (99,367)	\$-	\$4,423,648	\$2,066,570	\$6,490,218
Appropriation and distribution of 2020 retained earning											
Legal Reserve	-	-	9,959	-	(9,959)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(62,020)	-	-	-	(62,020)	-	(62,020)
Reversal of special reserve	-	-	-	(25,909)	25,909	-	-	-	-	-	-
Net income for the year ended 31 December 2021	-	-	-	-	448,367	-	-	-	448,367	(121,330)	327,037
Other comprehensive income, net of tax for the year ended 31 December 2021	-	-	-	-	(1,161)	(7,801)	-	-	(8,962)	(3,282)	(12,244)
Total comprehensive income	-	-	-	-	447,206	(7,801)	-	-	439,405	(124,612)	314,793
Balance as of 31 December 2021	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$355,058</u>	<u>\$241,753</u>	<u>\$502,813</u>	<u>\$ (150,187)</u>	<u>\$ (99,367)</u>	<u>\$-</u>	<u>\$4,801,033</u>	<u>\$1,941,958</u>	<u>\$6,742,991</u>

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

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

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

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

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

I. HISTORY AND ORGANIZATION

- (1) KUO TOONG INTERNATIONAL CO., LTD. (the “Company”) was incorporated under the laws of the Republic of China (the “ROC”) in July 1978.

The Company's main business is manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, spare parts, and precision chemical material manufacturing.

- (2) The Company became an over-the-counter company on Taiwan Stock Exchange on 9 September 2002.

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

The consolidated financial statements of the Company and subsidiaries (hereinafter referred to as “the Company”) for the years ended 31 December 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of directors on 31 March 2022.

III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2021. The application of these new standards and amendments had no material impact on the Group.

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

Item	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

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

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

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

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

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

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

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

D. Annual Improvements to IFRS Standards 2018 – 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 "Insurance Contracts"	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

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

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

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

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

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

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of preparation

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

3. Basis of consolidation

Preparation principle of consolidated financial statement

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

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

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

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

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

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

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

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

If the Group loses control of a subsidiary, it:

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

The consolidated entities are listed as follows:

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

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

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

4. Foreign currency transactions

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

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

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

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IFRS 9 *Financial Instruments* are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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

5. Translation of financial statements in foreign currency

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

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

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

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

6. Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

7. Cash and cash equivalents

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

8. Financial instruments

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

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

(1) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

- (a) purchased or originated credit-impaired financial assets. For those financial assets, the Group applies the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

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

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired

- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instruments

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

9. Fair value measurement

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

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

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

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

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

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

10. Inventories

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

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

Raw materials – Purchase cost under weighted-average cost

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

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

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

11. Service Concession Agreement

(1) Recognition and Measurement

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

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

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

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

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

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

(2) Building or Upgrading Services

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

(3) Operating Services

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

12. Investments accounted for using the equity method

The Group's investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Group has significant influence. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture.

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

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

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

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

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

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

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

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

13. Property, plant and equipment

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

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

Buildings	3~55 years
Machinery and equipment	2~20 years
Other Equipment	2~20 years

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

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

14. Leases

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

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

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

Group as a lessee

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

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

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

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

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

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

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

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

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

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

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

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

Group as a lessor

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

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

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

15. Intangible assets

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

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

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

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

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

Research and development costs

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

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

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

Franchise

Franchise is granted 15 to 31 years of use.

Computer software

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

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

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

16. Impairment of non-financial assets

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

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

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

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

17. Provisions

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

18. Revenue recognition

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

Sale of goods

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

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

Contracting for construction

The Group is engaged in the contracting business of public constructions, since the assets are controlled by customers when they are under construction, revenue is gradually recognized over time on the basis of the percentage of construction costs incurred among the estimated total contract costs. The contract includes fixed and variable consideration. The customer pays a fixed amount of money according to the agreed schedule. Certain changes in consideration (such as fines and price adjustment subsidies calculated based on the number of overdue days) are estimated at the most likely amount. The Group only recognizes revenue within the range where the accumulated revenue is highly unlikely to undergo a major reversal. If the amount of recognized income has not been requested, it is recognized as contract assets. When there is an unconditional right to the consideration, the contract assets are transferred to accounts receivable. However, there are some contracts, because part of the consideration has been charged when signing the contract, if it is impossible to reasonably measure the percentage of completion of the project contract performance obligations, the contract revenue is only recognized within the expected recoverable cost range.

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

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

19. Borrowing cost

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

20. Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

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

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

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

21. Share-based payment transactions

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

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

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

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

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

22. Income taxes

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

Current income tax

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

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

Deferred tax

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

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

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

1. Judgements

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

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

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

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

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

2. Estimation and assumptions

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

(1) Revenue Recognition

The Group's recognition of contract profit and loss is based on the degree of completion of contract activities to recognize contract revenue and contract costs respectively, and measure the percentage of completion based on the ratio of contract costs incurred to date to the estimated total contract costs. The Group considers the nature of each project, estimated construction period, project, construction process, construction method, estimated contract amount and other factors to estimate the total contract cost. Any change in the above estimation basis may cause a significant adjustment of the estimated amount.

(2) Fair Value of Financial Instruments

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

(3) Accounts receivables—estimation of impairment loss

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

(4) Inventory Valuation

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

(5) Impairment of Non-financial Assets

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

(6) Income tax

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

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

(7) Provision

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

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and Cash Equivalents

	31 Dec. 2021	31 Dec. 2020
Cash on hand	\$3,007	\$3,119
Check Deposit	180	1,212
Saving Account	693,013	481,990
Total	<u>\$696,200</u>	<u>\$486,321</u>

2. Financial assets at fair value through other comprehensive income

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

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

For equity instrument investments measured at fair value through other comprehensive income, the Group did not recognize dividends for the years ended 31 December 2021 and 2020.

3. Financial assets measured at amortized cost

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

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

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

4. Notes Receivable

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

No notes receivable were pledged.

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

5. Accounts Receivable and Long-term Receivable

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

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

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

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

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

6. Other Receivable

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

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

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

7. Inventories

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

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

No Inventories were pledged.

8. Other Current Assets and Other Non-current Assets

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

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

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

9. Investments Accounted For Under The Equity Method

Details are as follows:

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

Investments in Associates

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

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

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

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

10. Property, plant and equipment

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

Owner occupied property, plant and equipment

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

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

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

11. Intangible assets

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

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

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

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

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

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

Intangible assets amortization are as follows:

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

No intangible assets was pledged.

12. Service Concession Agreement

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

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

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

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

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

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

13. Short-term Loans

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

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

14. Short-term notes payable

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

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

15. Other Payable

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

16. Bonds Payable

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

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

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

17. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2021	Interest Rate(Note)	Redemption
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$950,700		From 11 September 2013 to 30 June 2028, repayment began on 30 June 2014. The quarterly repayment amount shall not be less than the agreed minimum amount by both parties, and interest is paid monthly.
Export–Import Bank Secured Loan	23,316		From 31 October 2018 to 31 October 2022. The grace period is 18 months. The principal shall be repaid by amortization evenly every 6 months after the grace period, and interest is paid monthly.
Shanghai Commercial Bank Secured Loan	14,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	34,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	829,248 (CNY192,000 thousand)		From 30 December 2019 to 8 October 2022, after loans are drawn within the credit line, each loan is repaid in full upon maturity of each drawdown principal, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	10,366 (CNY2,400 thousand)		From 6 January 2020 to 8 October 2022, the grace period is 12 months. After the grace period expires, the principal is amortized in 5 installments, and interest is paid monthly.
Taiwan Cooperative Bank Secured Loan	163,470		From 14 August 2020 to 14 August 2023, interest will be paid on a monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	16,656		From 3 September 2020 to 3 August 2022, interest was paid on a monthly basis and principal was repaid at maturity.
FCB Leasing Co., Ltd. Credit Loan	53,526		From 5 November 2021 to 5 April 2023, interest and principal were paid on a monthly basis..

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

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

Creditors	31 Dec. 2020	Interest Rate(Note)	Redemption
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$993,100		From 11 September 2013 to 30 June 2028, repayment began on 30 June 2014. The quarterly repayment amount shall not be less than the agreed minimum amount by both parties, and interest is paid monthly.
Export-Import Bank Secured Loan	46,633		From 31 October 2018 to 31 October 2022. The grace period is 18 months. The principal shall be repaid by amortization evenly every 6 months after the grace period, and interest is paid monthly.
Shanghai Commercial Bank Secured Loan	22,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	82,250		From 14 August 2020 to 14 August 2023, interest will be paid on a monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	20,827		From 6 June 2019 to 6 May 2021, interest was paid on a monthly basis and principal was repaid at maturity.

Creditors	31 Dec. 2020	Interest Rate(Note)	Redemption
FCB Leasing Co., Ltd. Credit Loan	41,664		From 3 September 2020 to 3 August 2022, interest was paid on a monthly basis and principal was repaid at maturity.
Taichung Bank Leasing Co., Ltd. Credit Loan	2,869		From 9 August 2019 to 9 January 2021, repayment began on 9 August 2019, amortized and interest paid monthly.
FCB Leasing Co., Ltd. Credit Loan	20,457		From 25 December 2019 to 25 June 2021, repayment began on 25 January 2020, amortized and interest paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	40,387 (CNY 9,280 thousand)		From 23 October 2019 to 1 February 2021, the grace period is 6 months. After the grace period expires, the principal is amortized in 3 installments, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	20,890 (CNY 4,800 thousand)		From 6 January 2020 to 8 October 2022, the grace period is 12 months. After the grace period expires, the principal is amortized in 5 installments, and interest is paid monthly.
First Bank Secured Loan (Administrative bank of syndicate loan amount)	609,280 (CNY 140,000 thousand)		From 30 December 2019 to 8 October 2022, after loans are drawn within the credit line, each loan is repaid in full upon maturity of each drawdown principal, and interest is paid monthly.
Subtotal	1,900,357		
Less: current portion	(795,367)		
Less: unamortized expenses	(9,898)		
Total	<u>\$1,095,092</u>		

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

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

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

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

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

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

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

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

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

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

18. Post-Employment Benefits

Defined contribution plan

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

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

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

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

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$866 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

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

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

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

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

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

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
1 Jan. 2020	56,163	(34,385)	21,778
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	764	-	764
Interest expense (income)	381	(236)	145
Subtotal	57,308	(34,621)	22,687
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	2,902	-	2,902
Experience adjustments	30,161	-	30,161
Remeasurements of the defined benefit assets	-	(1,212)	(1,212)
Subtotal	33,063	(1,212)	31,851
Payment of benefit obligation	(11,639)	2,069	(9,570)
Contribution by employer	-	(1,446)	(1,446)
31 Dec. 2020	\$78,732	\$(35,210)	\$43,522
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	1,724	-	1,724
Interest expense (income)	229	(103)	126
Subtotal	80,685	(35,313)	45,372
	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(1,047)	-	(1,047)
Experience adjustments	3,046	-	3,046
Remeasurements of the defined benefit assets	-	(548)	(548)
Subtotal	1,999	(548)	1,451
Payment of benefit obligation	(18,360)	6,390	(11,970)
Contribution by employer	-	(7,548)	(7,548)
31 Dec. 2021	\$64,324	\$(37,019)	\$27,305

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

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

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

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

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

19. Equity

(1) Common stock

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

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

(2) Capital surplus

	31 Dec. 2021	31 Dec. 2020
Common stock	\$1,388,625	\$1,388,625
Unproportionally subscribed equity investment to adjust the capital reserve	16,308	16,308
Treasury stock transactions	38,932	38,932
Employee stock options	24,113	24,113
Invalidation of conversion rights of convertible corporate debt	2,203	2,203
Total	<u>\$1,470,181</u>	<u>\$1,470,181</u>

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

(3) Treasury Stock

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

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

(4) Retained earnings and dividend policies

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

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

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

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

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

For the first-time adoption of IFRS, the special reserve set aside was both NT\$39,793 thousand as of 1 January 2021 and 2020. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2021 and 2020, therefore they did not reverse the retained earnings to undistributed retained earnings. As at 31 December 2021 and 2020, the amount of the first adoption of retained earnings were both NT\$39,793 thousand.

The Company’s distribution of earnings and cash dividends per share in 2020 and 2019 were approved respectively through the shareholders’ meeting on 22 July 2021 and 19 June 2020 as follows:

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

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

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

(5) Non-controlling interests:

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

20. Operating Revenues

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

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

(1) Disaggregation of revenue

For the year ended 31 December 2021:

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

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

For the year ended 31 December 2020:

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

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

(2) Contract balances

A. Contract assets - current

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

The engineering retention generated by the Group's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Group, which usually exceeds one year. The retention receivables as at 31 December 2021, 31 December 2020, and 1 January 2020 amounted to NT\$82,883 thousand, NT\$51,965 thousand and NT\$30,917 thousand, respectively, classified as contract assets.

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

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

B. Contract liabilities – current

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

- (3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Group transfers goods or services to customers to meet the performance obligations and the time when the customers pay. There were no other major changes for the years ended 31 December 2021 and 2020.

21. Expected credit losses / (gains)

	2021	2020
Operating Expense- Expected credit losses		
Contract Assets	\$-	\$-
Notes Receivable	-	-
Accounts Receivable	37,474	24,254
Total	<u>\$37,474</u>	<u>\$24,254</u>

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

The credit risk for measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Group transacts with are financial institutions with good credit, no allowance for losses has been provided in 2021 and 2020.

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

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

As at 31 December 2021

Group 1: Taiwan

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

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

Group 2: Mainland China (Receivables from government)

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

Group 3: Mainland China (Receivables not from government)

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

As at 31 December 2020

Group 1: Taiwan

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

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

Group 2: Mainland China(Receivables from government)

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

Group 3: Mainland China(Receivables not from government)

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

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

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

22. Leases

(1) Group as a lessee

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

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

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

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

(b) Lease liabilities

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

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

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

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

C. Income and costs relating to leasing activities

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

D. Cash outflow relating to leasing activities

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

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

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

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

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2021 to be NT\$11,799 thousand and NT\$5,899 thousand, respectively, recognized as employee benefits expense. Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2020 to be NT\$2,735 thousand and NT\$1,367 thousand, respectively, recognized as employee benefits expense.

A resolution was approved at a Board of Directors meeting held on 31 March 2022 to distribute NT\$ 11,799 thousand and NT\$5,899 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements of 2021.

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

24. Non-operating income and expenses

(1) Other income

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

(2) Other gains and losses

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

(3) Finance costs

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

25. Components of other comprehensive income

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(31,851)	\$6,370	\$(25,481)
Unrealized gains from equity instruments investments measured at fair value through other comprehensive income	6,683	-	6,683
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	28,459	-	28,459
Total other comprehensive income	<u>\$3,291</u>	<u>\$6,370</u>	<u>\$9,661</u>

26. Income tax

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

Income tax expense (income) recognized in profit or loss

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

Income tax recognized in other comprehensive income

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

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

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

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

For the year ended 31 December 2021:

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

For the year ended 31 December 2020:

			Recognized in others	
	Opening Balance	Recognized in profit and loss	Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$4,356	\$(2,021)	\$6,370	\$8,705
Inter-affiliated company transactions	2,260	(2,035)	-	225
Unrealized impairment loss	15,612	(3,717)	-	11,895
Loss deduction	71,782	(56,609)	-	15,173
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	-	-	(107,580)
Lease concession agreement	(84,599)	(22,705)	-	(107,304)
Other	27,690	4,956	-	32,646
Deferred income tax benefits (expenses)		<u>\$(82,131)</u>	<u>\$6,370</u>	
Deferred income tax assets/(liabilities) net	<u>\$(83,862)</u>			<u>\$(159,623)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$123,006</u>			<u>\$73,627</u>
Deferred income tax liabilities	<u>\$(206,868)</u>			<u>\$(233,250)</u>

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

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

Unrecognized deferred income tax assets

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

The assessment of income tax returns

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

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

27. Earnings per share

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

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

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

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

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

28. Subsidiaries with significant non-controlling equity

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

Proportion of equity held by non-controlling equity

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

Cumulative balance of significant non-controlling equity:

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

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

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

Dividends paid to material non-controlling equity:

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

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

2021 Income Summary Information:

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

2020 Income Summary Information:

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

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

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

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

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

Summary Information on Cash Flows as at 31 December 2021:

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

Summary Information on Cash Flows as at 31 December 2020:

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

VII. RELATED PARTIES TRANSACTIONS

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

Name and nature of relationship of the related parties

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

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

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

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

Significant related party transactions

1. Sales

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

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

2. Purchase

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

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

3. Notes and Accounts Payable-Related Parties

	2021	2020
Others	\$327	\$-

4. Financing Situations

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

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

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

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

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

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

5. Others

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

6. Key management personnel compensation

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

VIII. ASSETS PLEDGED AS COLLATERAL

The Group has the following Assets pledged as Collateral:

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

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

IX. SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT

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

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

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

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

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

4. Joint Venture Contract:

Participants of the Joint Venture Contracts	Case	31 Dec. 2021		31 Dec. 2020	
		Contract Total Price	Contract Proportion	Contract Total Price	Contract Proportion
Sheng Ho Construction Co., Ltd.	A	\$158,095	20.00%	\$158,095	20.00%
Sheng Ho Construction Co., Ltd.	B	158,055	20.00%	158,055	20.00%
Sheng Ho Construction Co., Ltd.	C	279,048	65.00%	279,048	65.00%
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	D	4,077,471	51.85%	4,077,471	51.85%
Mountain Forestry and Water Environmental Engineering Co., Ltd.	E				
And Chin Cheng Construction Co., Ltd.		3,110,476	65.00%	-	
Shenghe Construction Co., Ltd	F	379,638	30.00%	-	
Total		<u>\$8,162,783</u>		<u>\$4,672,669</u>	

5. Contingent Liabilities:

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

The Group and the proprietor failed to reach a consensus after several mediations conducted by the Public Construction Committee of the Executive Yuan. The Group withdrew the mediation case for the overdue project in dispute on 2 November 2017, and filed a civil action to the Taichung District Court of Taiwan on 21 December 2017 and an administrative action to Taichung High Administrative Court on 22 December 2017. The Taichung High Administrative Court ruled that the construction period should be extended by 247 days on 20 June 2019, the overdue period of the project was 350 days, and dismissed the Group's suspension appeal. Although the suspension has been executed, the Group still appealed to the Supreme Administrative Court on 23 July 2019 for delays that cannot be attributed to the Group. The Supreme Administrative Court rejected the appeal on 31 August 2020, and the Group filed for retrial on 30 September 2020.

In addition, after the lawyers appointed by the Group reviewed the related construction period analysis data and the expert opinions, they believed that if the project was overdue due to additional water testing projects and insufficient water sources, the construction period should be extended for at least 640 days, 597 days, 51 days or other days, and the Group can also request a reduction in overdue fine, however the disputes are still pending final judgment. As the case is still pending trial, the Group assessed that the matters mentioned above should be extended for at least 536.9 days, and estimated that the initial possible overdue days was 60.1 days. Therefore, the Group estimated that the overdue project fine would be NT\$119,555 thousand. As at 31 December 2020, the proprietor intended to transfer the Group's accounts receivable of NT\$426,943 thousand as overdue fines based on the above-mentioned overdue project. All accounts receivables in the amount were transferred to long-term receivables. On October 18, 2021, the Taichung District Court of Taiwan ruled in the first instance that the proprietor shall pay the Group \$373,207 thousand plus interest, and the proprietor appealed against the judgment. On March 7, 2022, the Group reached a settlement agreement with the Owner after the Second Instance Judge of the Taichung Branch of the High Court of Taiwan communicated with both parties and the proprietor agreed to pay the Company \$381,105 thousand, and the remaining issues of the dispute claim was abandoned and no appeal was made. The difference between the estimated amount of the overdue fine and the project overdue fine was booked as a profit or loss for 2021.

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

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

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

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

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

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

6. Commitment:

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

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

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

- C. Whenever there is a change in the registration items, various licenses or Articles of Incorporation of Hsiyu Desalination Company, the company should notify Taiwan Water Supply Co., Ltd. and attach relevant supporting documents within 30 days after the completion of each registration adjustment.
- D. During the contract period, Hsiyu Desalination Company's self-owned capital ratio should not be lower than 25% of the total investment set on the investment plan date.
- E. Hsiyu Desalination Company should transfer the ownership of the property under this project to Taiwan Water Supply Co., Ltd. after the completion of the construction and obtaining approval from Taiwan Water Supply Co., Ltd. within 30 days. Taiwan Water Supply Co., Ltd. should pass the acceptance of all the constructions in this project, and Hsiyu Desalination Company shall pay \$165,000 thousand for the construction of the project within one month from the following day of providing NT\$165,000 thousand for the performance guarantee during the operation period.
- F. During the operation period, Taiwan Water Supply Co., Ltd. should pay Hsiyu Desalination Company the operation and maintenance fee in accordance with the contract.
- G. Performance Guarantee:
- (A) The amount of the performance guarantee during the construction period was NT\$16,500 thousand and the period was 90 days after the commencement of operation.
- (B) The amount of the performance guarantee during the operation period was NT\$165,000 thousand and the period was 90 days after Hsiyu Desalination Company completes the return of the plan assets, and there are no other matters to be done.
- (C) In one month after Hsiyu Desalination Company commences operations and pays the performance bond, if there is no such occurrence that the performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period or return the performance bond interest-free.
- (D) After Hsiyu Desalination Company completes its performance operation for one year, the performance bond during the operation period can be reduced by \$10,000 thousand compared to the previous year. If no performance bond should be forfeited, Taiwan Water Supply Co., Ltd. should release the responsibility for the performance bond during the construction period as the amount mentioned above or return the performance bond interest-free.

H. Dealing and the Responsibility of Breaching the Contract

(A) The breach of contract attributable to the Company in accordance with the construction and operation contract is as follows:

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

(B) Dealing with the Breach of Contract

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

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

A. The construction of the operation transfer plan includes the water recycling center, sewerage pipe network system of the urban planning area of Miaoli Zhunan Toufen (including the specific area of Toufen highway); the operation, execution and management of user takeover; the maintenance and increment of the related investment.

B. The concession period of the construction transfer plan for the sewerage system, including concession construction and operation period, has a total of 35 years since the day of signing.

C. The sewage treatment fees paid by Miaoli County Government can be divided into construction fees and operating expenses. Construction fees are calculated on the basis of a fixed monthly amortization amount, and operating expenses are calculated on the basis of the sewage volume.

(A) Items that can be listed as construction fees include:

- a. Construction cost of the water recycling center's auxiliary facilities
- b. Construction cost of main pipes, sub-main pipes and branch pipe network system of sewerage
- c. Replacement cost of water recycling center

(B) Items that can be listed as operating expenses include:

- a. Construction cost of user takeover
- b. Operating and maintenance expenses for the water recycling center, sewerage network system and user takeover.

D. When the contents of the registration or approval of Kuo Yang Environmental Company are adjusted or the directors and supervisors are changed, within 30 days after the completion of each registration adjustment, the revised content or a copy of the articles of incorporation and the new director and supervisor's list should be submitted to Miaoli County Government for future reference.

E. The proportion of shares held by the promotor during the construction period should be maintained at higher than 50% of the paid-up capital

F. During the concession period, at least 30% of its own funds should be maintained.

G. When the concession expires, the asset transfer plan is proposed two years before the expiration to start negotiating and signing the "asset transfer contract", and the signing of the "asset transfer contract" should be completed 18 months before the expiration.

H. Transfer before the concession expires

(A) Terminate within 5 years after signing the contract: The transfer price is 70% of the appraisal price concluded by the appraiser.

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

I. Performance Guarantee:

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

J. Dealing with the Breach of Contract

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

X. SIGNIFICANT DISASTER LOSS

None.

XI. SIGNIFICANT SUBSEQUENT EVENTS

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

XII. OTHER

1. Categories of financial instruments

Financial Assets

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

Financial Liabilities

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

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2021 and 2020 decreases/increases by NT\$3,782 thousand and NT\$4,475 thousand, respectively

Interest rate risk

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

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

Sensitivity analysis of interest rate risk mainly focuses on interest rate exposure items at the end of the financial reporting period, including floating rate investments, floating rate borrowings, and interest rate exchange contracts. It is assumed to be held for an accounting year when interest rates rise or fall by ten basis points, the profit and loss of the Group in 2021 and 2020 will increase or decrease by NT\$1,841 thousand and NT\$1,662 thousand respectively.

Equity price risk

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

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

4. Credit risk management

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

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

As at 31 December 2021 and 2020, accounts receivables from top ten customers represented 77% and 70% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

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

5. Liquidity risk management

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

Non-derivative financial instruments

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

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

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

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for years ended 31 December 2021:

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

Reconciliation of liabilities for the years ended 31 December 2020:

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

7. Fair values of financial instruments

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

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

- A. The carrying amount of cash and cash equivalents, trade receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- B. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities etc.) at the reporting date.
- C. Fair value of equity instruments without market quotations (including private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- D. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the GreTai Securities Market, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

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

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

(3) Fair value measurement hierarchy for financial instruments

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

8. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

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

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

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

As at 31 December 2021

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

As at 31 December 2020

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

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Changes in Level 3 of the recurring fair value hierarchy

If the assets and liabilities measured by the recurring fair value of the Group belong to level 3 of the fair value hierarchy, the adjustment of the balance from the beginning to the end is listed as follows:

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

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

Information on significant unobservable inputs to valuation

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

31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	25%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$2,549thousand

31 December 2020

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

Valuation process of Level 3 fair value measurement

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

9. Significant assets and liabilities denominated in foreign currencies

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

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

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

The Group has various functional currencies, no information about the foreign exchange gains or losses by a specific currency is available. For the years ended 31 December 2021 and 2020, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT\$11,629 thousands, NT\$32,728 thousands, respectively.

10. Capital management

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

11. Others

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

XIII.ADDITIONAL DISCLOSURES

1. The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:

- (1) Financing provided to others for the year ended 31 December 2021: Please refer to Attachment 2.
- (2) Endorsement/Guarantee provided to others for the year ended 31 December 2021: Please refer to Attachment 3.
- (3) Securities held as of December 31, 2021 (excluding subsidiaries, associates and joint venture): Please refer to Attachment 4.
- (4) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
- (5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
- (6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
- (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock f for the year ended 31 December 2021: Please refer to Attachment 5.
- (8) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as at 31 December 2021: Please refer to Attachment 6.
- (9) Name of the Investee Company, location, etc. (Do not include investees in China): Details in Attachment 7
- (10) Financial instruments and derivative transactions: None.
- (11) The business relationship, significant transactions and amounts between parent company and subsidiaries: Please refer to Attachment 1.

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

3. Investment in Mainland China:

- (1) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 8.

- (2) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: Please refer to Attachment 1 and Attachment 8.

4. Main Stockholders' Information:

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

XIV. OPERATING SEGMENT INFORMATION

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

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

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

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

1. Reportable Segment Income Information:

For the year ended 31 December 2021

	<u>Kuo Toong</u>	<u>Kuo Yang</u>	<u>Tai Ming</u>	<u>Others</u>	<u>Adjustments and eliminations</u>	<u>Total</u>
Revenue						
External						
customers	\$1,843,961	\$659,631	\$1,524,769	\$592,674	\$-	\$4,621,035
Inter-segment	502,685	-	335,706	6,811	(845,202)	-
Total revenue	<u>\$2,346,646</u>	<u>\$659,631</u>	<u>\$1,860,475</u>	<u>\$599,485</u>	<u>\$(845,202)</u>	<u>\$4,621,035</u>
Segment Income	<u>\$572,232</u>	<u>\$163,810</u>	<u>\$(90,429)</u>	<u>\$(384,587)</u>	<u>\$230,137</u>	<u>\$491,163</u>

For the year ended 31 December 2020

	Kuo Toong	Kuo Yang	Tai Ming	Others	Adjustments and eliminations	Total
Revenue						
External						
customers	\$766,104	\$664,335	\$1,650,316	\$627,556	\$-	\$3,708,311
Inter-segment	634,025	-	157,179	11,751	(802,955)	-
Total revenue	<u>\$1,400,129</u>	<u>\$664,335</u>	<u>\$1,807,495</u>	<u>\$639,307</u>	<u>\$(802,955)</u>	<u>\$3,708,311</u>
Segment Income	<u>\$156,039</u>	<u>\$173,335</u>	<u>\$(26,221)</u>	<u>\$(160,371)</u>	<u>\$74,481</u>	<u>\$217,263</u>

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

2. Product type and labor service type information:

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

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

3. Financial Information by Region:

(1) From outside client revenue:

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

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

(2) Non-current assets:

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

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

4. Important client information:

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

5. Reportable Segment Income Reconciliation

	2021	2020
Reportable Segment Total Income	\$645,613	\$303,153
Other Segment Income	(384,587)	(160,371)
Reconciliation and Elimination		
Elimination Segment Income	230,137	74,481
Profit from continuing operations before tax	<u>\$491,163</u>	<u>\$217,263</u>

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

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

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

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

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

1. The Company is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows:

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

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

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

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

Attachment 2: Financing provided to others

No. (Note 1)	Lender	Counterparty	Financial statement account	Related Party	Maximum balance for the period (Note 7)	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 4)	Amount of sales to (purchases from) counterparty (Note 5)	Reason for short-term financing (Note 6)	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (Note 2)	Limit of total financing amount (Note 3)	Note
													Item	Value			
1	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Other receivables	Yes	\$248,463 (CNY 57,000)	\$246,183 (CNY 57,000)	\$246,183 (CNY 57,000)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$249,638	\$249,638	(Note 8)

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

(1) The parent company is coded "0".

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

(Note 2) Limit of financing amount for individual counterparty:

(1) Limit of financing amount for individual counterparty shall not exceed 40% of the net asset value and shall not exceed the amount of business transactions. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counterparty.

(2) Necessary for operation: financing amount to individual counterparty shall not exceed 40% of the net asset value.

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

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

(1) Business contacts is coded "1".

(2) Short-term financing is coded "2".

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

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

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

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

(Note 9) The New Taiwan Dollars in this table are listed in the exchange rate of 4.319 as of the end of December 2021, announced by the company.

Attachment 3: Endorsement/Guarantee provided to others

No. (Note1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note13)	Ending balance (Note14)	Actual amount provided (Note15)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship											
0	The Company	Hsiyu Seawater Desalination Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 4)	125,000	125,000	85,000	None	2.60%	12,403,908 (Note 4)	Y	N	N	(Note 16)
0	The Company	Kuo Yang Environment Technology Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 4)	1,357,300	1,307,300	1,169,946	None	27.23%	12,403,908 (Note 4)	Y	N	N	(Note 16)
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	Kuo Toong Holding Corporation	3,360,723 (Note 2)	1,583,652	1,547,889	1,316,006	35,525	32.24%	4,560,981 (Note 3)	Y	N	Y	(Note 16)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	Ultimate parent company of Xiamen Kuo Hsin	1,065,291 (Note 5)	512,730	497,340	331,560	371,002	158.66%	1,420,388 (Note 6)	N	Y	N	(Note 16)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Company with business relationships	188,078 (Note 7)	167,386	165,850	165,850	165,850	52.91%	313,464 (Note8)	N	N	Y	(Note 16)
2	Kuo Chuang Engineering Co., Ltd.	Hsiyu Seawater Desalination Co., Ltd.	Controlled by ultimate parent company	180,000 (Note 11)	15,000	-	-	-	-	300,000 (Note 12)	N	N	N	(Note 16)
3	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 9)	110,000	110,000	77,000	75,019	137.78%	430,000 (Note 10)	N	Y	N	(Note 16)

No. (Note1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note13)	Ending balance (Note14)	Actual amount provided (Note15)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship											
4	Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Parent Company of Dinteng	4,883,225 (Note 11)	1,147,300	1,147,300	1,035,170	None	36.59%	8,138,709 (Note 12)	Y	N	N	(Note 16)

(Note1) The Company and its subsidiaries are coded as follows:

(1) The Company is coded "0".

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

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

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

(Note4) The limit of endorsement guarantee for the implementation of the "Promotion of Private Participation in Public Construction Law" for engineering projects is limited to not more than five times the Company's paid-in capital; in addition, for a single enterprise, it is limited to not more than three times the Company's paid-in capital.

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

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

(Note7) Shall not exceed 60% of net asset value of the Endorsor/Guarantor.

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

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

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

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

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

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

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

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

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

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

Holding Company	Type and name of securities(Note1)	Relationship	Financial statement account	as of 31 December 2021				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unlisted stock- Harbin Kuo Toong Pipeline Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	\$95,025	25.00%	\$95,025	Not pledged
	Unisted (counter) stock-Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	10.42%	-	Not pledged
	Unisted (counter) stock-Jihben International Development Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	3,000,000	-	18.00%	-	Not pledged
	Unisted (counter) stock-Yuangang Industrial Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	2,000,000	-	5.00%	-	Not pledged
Jie Mao International Co., Ltd.	Unisted (counter) stock-Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	9.73%	-	Not pledged

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

Attachment 5: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2021

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Construction revenue	\$300,951	12.82%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$1,584,660	83.46%	(Note1)
	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales revenue-net	195,129	8.32%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 59,878	3.15%	(Note1)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	300,951	62.88%	-	-	Payment according to project contract assessment progress	Accounts payable 1,584,660	99.94%	(Note1)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chang	Purchase-net	195,129	99.24%	-	-	Pay monthly according to the purchase contract	Accounts payable 59,878	75.04%	(Note1)
Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	Holding company's subsidiary company	Sales revenue-net	235,981	12.68%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 36,612	7.16%	(Note1)

Attachment 5: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2021

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)		Note
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)	
Linwu Taiming Pipe Industry Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Holding company's parent company	Purchase-net	235,981	99.07%	-	-	Pay monthly according to the purchase contract	Accounts payable -	-	(Note1)

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

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

Related party	Counterparty	Relationship	Amount	Average amount turnover	Overdue account receivable-related parties		Amount received in subsequent period	Allowance for doubtful debts	Note
					Amount	Processing method			
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Accounts receivable \$1,584,660 Other receivables – interests receivable \$27,459	19.34%	-	-	\$50,758	-	(Note1)
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Other receivables -financial accommodation \$246,183 Other receivables – interests receivable \$81,512	-	-	-	-	-	(Note1)

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

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

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note1)			
The Company	KuoToong International LLC.	Dealaware, USA	Engaged in reinvestment holding activities	\$23,625	\$23,625	680,000	100.00%	\$599,482	\$(26,440)	\$(25,069)	(Note 3)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	88,000	11,700,000	100.00%	43,787	1,469	1,469	(Note 3)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	53,278	(6,448)	(6,448)	(Note 3)
	Kuo Hsin Technology Co., Ltd.	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	58,760	(12,282)	(9,039)	(Note 3)
	Jianyi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sand and gravel, silt marine dumping, etc.	174,235	174,235	17,000,000	100.00%	138,543	(10,108)	(10,108)	(Note 3)
The Company	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	2,562	(26,610)	109	(Note 3)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note1)			
	Dinteng Co, Ltd.	Zuoying district, Kaohsiung	Energy technology services, water supply management, machinery, equipment manufacturing and installation piping engineering, other environmental sanitation and pollution prevention services, etc.	1,363,692	1,363,692	82,202,031	50.50%	1,578,047	131,211	66,995	(Note 3)
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	63,088	(6,427)	(6,427)	(Note 3)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	619,354	(26,610)	(26,408)	(Note 3)
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	244,194,858	100.00%	3,130,995	131,048	131,048	(Note 3)

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

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

(Note3) The above transactions were all made between consolidated entities in the Group and have been reversed.

Attachment 8: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2021	Accumulated Inward Remittance of Earnings as of 31 December 2021	Note
					Outflow	Inflow							
Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 2)	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$431,900 (CNY 100,000)	(1) Marvel Line Co., Ltd.	\$401,160 (USD 14,519)	\$-	\$-	\$401,160 (USD 14,519)	\$(49,265)	91.00%	\$(44,831)	\$285,209	-	(Note 2)
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	17,060 (CNY 3,950)	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	(21)	47.47%	(10)	3,197	-	(Note 2)
Xiamen Xiangyu Rural Environmental Ecological Technology Co., Ltd.	Engineering and technical research and experimental development, environmental sanitation management, sewage treatment and its recycling	4,319 (CNY 1,000)	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	4,175	30.86%	-	(2,645)	-	(Note 2)
Fujian Taiming Casting Pipe Technology (Stock) Company (Note 2)	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	1,511,650 (CNY 350,000)	(1)、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 6)	657,953 (USD 23,813)	-	-	657,953 (USD 23,813)	(398,586)	55.00%	(218,360)	410,311	-	

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2021	Accumulated Inward Remittance of Earnings as of 31 December 2021	Note
					Outflow	Inflow							
Fujian Taiming Trading Co., Ltd. (Note 2)	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	21,595 (CNY 5,000)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(14,237)	100.00%	(14,237)	(37,761)	-	(Note 2)
Linwu Taiming Pipe Industry Technology Co., Ltd. (Note 2)	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note4)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(13,628)	100.00%	(13,628)	(17,522)	-	(Note 2)

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

(Note1) Methods of investment are divided into three:

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

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

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

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

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

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

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

(Note8) Eliminated when preparing the consolidated reports.

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

KUO TOONG INTERNATIONAL CO., LTD.
PARENT COMPANY ONLY
FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
WITH
REPORT OF INDEPENDENT AUDITORS

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

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 2021 and 2020, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2021 and 2020, and notes to the parent company only financial statements, including the summary of significant accounting policies (together “the parent company only financial statements”).

In our opinion, the parent company only financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2021 and 2020, and its financial performance and cash flows for the years ended 31 December 2021 and 2020, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China on Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 2021 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 2021, the Company's public work construction revenue amounted to NT\$1,404,074 thousand, and constituted 60% 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 VI to the Group's consolidated financial statement.

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 and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the Republic of China 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 auditing standards generally accepted in the Republic of China on Taiwan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the 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 2021 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.

Huang, Shih-Chieh

Lee, Fang-Wen

Ernst & Young, Taiwan

31 March 2022

Notice to Readers

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

English Translation of Financial Statements Originally Issued in Chinese

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

31 December 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2021	31 Dec. 2020
Current Assets			
Cash and cash equivalents	IV/VI.1	\$209,390	\$95,447
Financial assets measured at amortized cost-current	IV/VI.3、19/VIII	429,823	374,045
Current contract assets	IV/VI.18、19	740,685	698,377
Notes receivable-net	IV/VI.4、19	20,653	5,572
Accounts receivable-net	IV/VI.5、19	212,760	189,206
Accounts receivable - related parties -net	IV/VI.5/VII	1,657,929	1,527,974
Other receivables	IV/VI.6、19	381,669	3,506
Other receivables -related parties	IV/VI.6/VII	32,051	24,851
Inventories-net	IV/VI.7	262,551	213,514
Other current assets	IV/VI.8/VII	40,680	37,887
Construction deposit paid		69,254	58,855
Total current assets		4,057,445	3,229,234
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VI.2	95,025	95,025
Financial assets measured at amortized cost-non-current	IV/VI.3、19/VIII	87,491	79,705
Investments accounted for under equity method	IV/VI.9	2,798,261	2,957,217
Property, plant and equipment	IV/VI.10/VIII	316,052	354,577
Intangible assets	IV	296	466
Deferred tax assets	IV/VI.23	30,820	35,346
Guarantee deposits paid	VIII	18,290	16,128
Long-term receivables	VI.5/VIII	-	426,943
Other non-current assets -others	IV/VI.8	73,519	12,418
Total non-current assets		3,419,754	3,977,825
Total Assets		\$7,477,199	\$7,207,059

(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 2021 and 2020

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2021	31 Dec. 2020
Current liabilities			
Short-term loans	IV/VI.11/VII	\$894,341	\$1,123,967
Short-term notes payable	IV/VI.12	9,958	9,976
Contract liabilities-current	IV/VI.18	47,881	200,716
Notes payable		102,972	70,305
Accounts payable		397,243	422,560
Accounts payable -related parties	VII	737	931
Other payables	VI.13	156,866	159,360
Other payables - related parties	VI.13/VII	8,894	8,894
Current tax liabilities	IV/VI.23	125,313	-
Bonds due within one year or one business cycle	IV/VI.14	249,951	-
Long-term loans due within one year or one business cycle	IV/VI.15/VII	55,973	80,021
Other current liabilities - others		120,598	126,056
Total current liabilities		2,170,727	2,202,786
Non-current liabilities			
Bonds payable	IV/VI.14	-	249,755
Long-term loans	IV/VI.15	337,729	136,223
Deferred tax liabilities	IV/VI.23	122,805	125,946
Net defined benefit liabilities - non current	IV/VI.16	27,305	43,522
Refundable deposits received		17,600	25,179
Total non-current liabilities		505,439	580,625
Total liabilities		2,676,166	2,783,411
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		355,058	345,099
Special reserve		241,753	267,662
Unappropriated earnings		502,813	101,677
Subtotal		1,099,624	714,438
Other equity	IV/VI.22		
Exchange differences resulting from translating the financial statements of a foreign operations		(150,187)	(142,386)
Unrealized (profit) and loss of financial assets measured at fair value through other comprehensive income		(99,367)	(99,367)
Subtotal		(249,554)	(241,753)
Total equity		4,801,033	4,423,648
Total liabilities and equity		\$7,477,199	\$7,207,059

(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 2021 and 2020
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	Notes	2021	2020
Operating revenues	IV/V1.18	\$2,346,646	\$1,400,128
Operating costs	IV/V1.7、16、20/VII	(1,538,195)	(1,102,808)
Gross profit		808,451	297,320
Unrealized gross profit on sales		(6,459)	(94,732)
Realized gross profit on sales		(2,403)	104,907
Gross profit-net		799,589	307,495
Operating expenses	IV/V1.16、20/VII		
Sales and marketing expenses		(4,860)	(6,332)
General and administrative expenses		(69,233)	(71,646)
Research and development expenses		(11,940)	(10,221)
Expected credit impairment (losses) profit	IV/V1.19	808	1,367
Subtotal		(85,225)	(86,832)
Operating income		714,364	220,663
Non-operating income and expenses			
Other revenue	VI.21	46,044	27,858
Other gain and loss	VI.21	206	(8,679)
Financial costs	VI.21	(33,488)	(25,882)
Share of profit or loss of associates and joint ventures	IV/V1.9	(154,893)	(57,921)
Subtotal		(142,131)	(64,624)
Income from continuing operations before income tax		572,233	156,039
Income tax expense	IV/V1.23	(123,866)	(30,968)
Net income		448,367	125,071
Other comprehensive income (lose)	IV/V1.22		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		(1,451)	(31,851)
Unrealized loss on investments in equity instruments at fair value through other comprehensive income		-	6,683
Income tax related to items that may not be reclassified subsequently		290	6,370
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		(7,801)	19,226
Total other comprehensive income, net of tax		(8,962)	428
Total comprehensive income		\$439,405	\$125,499
Earnings per share (NTD)			
Earnings per share-basic	IV/V1.24	\$1.81	\$0.50
Earnings per share-diluted	IV/V1.24	\$1.80	\$0.50

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

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Common Stock	Capital surplus	Retained earnings			Other equity		Treasury Stock	Total Equity
			Legal reserve	Special reserve	Unappropriated earnings	Exchange differences resulting from translating the financial statements of a foreign operations	Unrealized gain (Loss) on financial assets at fair value through other comprehensive income		
	3110	3200	3310	3320	3350	3410	3420	3500	3XXX
Balance as of 1 January 2020	\$2,492,242	\$1,478,537	\$326,197	\$148,236	\$197,737	\$(161,612)	\$(106,050)	\$-	\$4,375,287
Appropriation and distribution of 2019 retained earning									
Legal Reserve	-	-	18,902	-	(18,902)	-	-	-	-
Special Reserve	-	-	-	119,426	(119,426)	-	-	-	-
Cash dividends	-	-	-	-	(57,322)	-	-	-	(57,322)
Net income for the year ended 31 December 2020	-	-	-	-	125,071	-	-	-	125,071
Other comprehensive income, net of tax for the year ended 31 December 2020	-	-	-	-	(25,481)	19,226	6,683	-	428
Total comprehensive income	-	-	-	-	99,590	19,226	6,683	-	125,499
Treasury stock acquired	-	-	-	-	-	-	-	(19,816)	(19,816)
Treasury stock retired	(11,460)	(8,356)	-	-	-	-	-	19,816	-
Balance as of 31 December 2020	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$345,099</u>	<u>\$267,662</u>	<u>\$101,677</u>	<u>\$(142,386)</u>	<u>\$(99,367)</u>	<u>\$-</u>	<u>\$4,423,648</u>
Balance as of 1 January 2021	\$2,480,782	\$1,470,181	\$345,099	\$267,662	\$101,677	\$(142,386)	\$(99,367)	\$-	\$4,423,648
Appropriation and distribution of 2020 retained earning									
Legal Reserve	-	-	9,959	-	(9,959)	-	-	-	-
Cash dividends	-	-	-	-	(62,020)	-	-	-	(62,020)
Reversal of special reserve	-	-	-	(25,909)	25,909	-	-	-	-
Net income for the year ended 31 December 2021	-	-	-	-	448,367	-	-	-	448,367
Other comprehensive income, net of tax for the year ended 31 December 2021	-	-	-	-	(1,161)	(7,801)	-	-	(8,962)
Total comprehensive income	-	-	-	-	447,206	(7,801)	-	-	439,405
Balance as of 31 December 2021	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$355,058</u>	<u>\$241,753</u>	<u>\$502,813</u>	<u>\$(150,187)</u>	<u>\$(99,367)</u>	<u>\$-</u>	<u>\$4,801,033</u>

(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 2021 and 2020
 (Expressed in Thousands of New Taiwan Dollars)

ITEMS	2021	2020	ITEMS	2021	2020
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$572,233	\$156,039	Acquisition of financial assets at amortised cost	(63,564)	(101,233)
Adjustments for:			Acquisition of equity investments under equity method	(29,000)	-
Income and expense adjustments:			Disposal of equity investments under equity method	-	38
Depreciation	53,289	47,766	Acquisition of property, plant and equipment	(14,772)	(31,011)
Amortization	309	706	Disposal of property, plant and equipment	728	17,260
Expected credit impairment (gain) losses	(808)	(1,367)	Decrease(Increase) in refundable deposits	(12,561)	
Interest expense	33,488	25,882	Decrease(Increase) in refundable deposits	-	18,987
Interest revenue	(28,080)	(24,610)	Acquisition of intangible assets	(139)	-
Share of losses(profit) of subsidiaries, associates and joint ventures recognized by the equity method	154,893	57,921	Decrease (increase) of other non-current financial assets	(61,101)	10,537
(Gain) on disposal of property, plant and equipment	(59)	(6,014)	Dividends received	16,400	294
Losses on disposal of investments accounted for under equity method	-	12	Net cash flow from investing activities	(164,009)	(85,128)
Impairment loss on non-financial assets	-	35,799			
Unrealized gross profit	6,459	94,732	Cash flows from financing activities:		
Realized gross profit	2,403	(104,907)	Increase in short-term loans	1,147,000	1,617,175
Unrealized foreign currency exchange gains	(9,533)	(24,470)	Decrease in short-term loans	(1,365,848)	(1,424,873)
Income and expense adjustments	212,361	101,450	Decrease in short-term notes payable	(18)	(24)
Changes in operating assets and liabilities:			Increase in long-term loans	385,100	154,900
Contract assets	11,429	(23,633)	Decrease in long-term loans	(199,901)	(189,440)
Notes receivable-net	(15,081)	473	Decrease in deposits received	(7,579)	(759)
Accounts receivable-net	(23,554)	(178,704)	Cash dividends	(62,020)	(57,322)
Accounts receivable- related parties -net	(129,955)	(52,696)	Treasury stock buyback cost	-	(19,816)
Other receivables	(4,149)	(726)	Net cash used in financing activities	(103,266)	79,841
Other receivables - related parties	(7,200)	6,846			
Inventories	(49,037)	(17,790)	Net increase(decrease) in cash and cash equivalents	113,943	(17,369)
Other current assets	(8,904)	(5,837)	Cash and cash equivalents at beginning of period	95,447	112,816
Contract liabilities	(152,835)	(42,261)	Cash and cash equivalents at end of period	\$209,390	\$95,447
Notes payable	32,667	(4,516)			
Accounts payable	(25,317)	24,329			
Accounts payable - related parties	(194)	(9,121)			
Other payables	(2,415)	97,974			
Other payables - related parties	-	(22,308)			
Other current liabilities	(5,458)	(20,387)			
Accrued pension liabilities	(17,668)	(10,107)			
Cash generated from operations	386,923	(975)			
Interest received	24,544	21,433			
Interests paid	(33,371)	(25,561)			
Income tax paid	3,122	(6,979)			
Net cash provided by operating activities	381,218	(12,082)			

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

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

I. HISTORY AND ORGANIZATION

- (1) KUO TOONG INTERNATIONAL CO., LTD. (the “Company”) was incorporated under the laws of the Republic of China (the “ROC”) in July 1978.

The Company's main business is manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, spare parts, and precision chemical material manufacturing.

- (2) The Company became an over-the-counter company on Taiwan Stock Exchange on 9 September 2002.

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

The financial statements of the Company for the years ended 31 December 2021 and 2020 were authorized for issue in accordance with a resolution of the Board of directors on 31 March 2022.

III. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

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

The 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 2021. The application 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, but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements	1 January 2022

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

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

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

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

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

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

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

D. Annual Improvements to IFRS Standards 2018 - 2020

Amendment to IFRS 1

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

Amendment to IFRS 9 Financial Instruments

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

Amendment to Illustrative Examples Accompanying IFRS 16 Leases

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

Amendment to IAS 41

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

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

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
a	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
b	IFRS 17 “Insurance Contracts”	1 January 2023
c	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2023
d	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
e	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
f	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

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

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

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

(b) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

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

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

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

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

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

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

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

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

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

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

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

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2021 and 2020 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

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

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

3. Foreign currency transactions

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

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

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

- (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) Financial instruments: Recognition and Measurement

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

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

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

Financial assets measured at amortized cost

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

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

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

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

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

Financial asset measured at fair value through other comprehensive income

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

The loss allowance is measures as follow:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the Company measures the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. At an amount equal to the lifetime expected credit losses: the credit risk on a financial asset has increased significantly since initial recognition or financial asset that is purchased or originated credit-impaired financial asset.

- C. For trade receivables or contract assets arising from transactions within the scope of IFRS 15, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.
- D. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

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

(3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

(4) Financial liabilities and equity

Classification between liabilities or equity

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

Equity instruments

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

Compound instruments

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

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

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

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

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

Financial liabilities

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

Financial liabilities at amortized cost

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

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

Derecognition of financial liabilities

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

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

(5) Offsetting of financial instrument

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

8. Fair value measurement

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

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

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

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

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

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

9. Inventories

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

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

Raw materials - Purchase cost under weighted-average cost

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

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

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

10. Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

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

11. Property, plant and equipment

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

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

Buildings	3~55 years
Machinery and equipment	2~20 years
Other equipment	2~20 years

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

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

12. Intangible assets

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

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

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

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

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

Computer software

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

13. Impairment of non-financial assets

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

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

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

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

14. Provisions

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

15. Revenue recognition

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

Sale of goods

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

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

Construction contract

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

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

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

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

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

16. Borrowing costs

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

17. Post-employment benefits

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

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

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

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

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

18. Share-based payment transactions

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

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

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

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

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

19. Income taxes

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

Current income tax

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

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

Deferred tax

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

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

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

V. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Estimates and assumptions

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

(1) Revenue recognition

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

(2) Fair value of financial instruments

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

(3) Trade receivables—estimation of impairment loss

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

(4) Inventory Valuation

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

(5) Impairment of Non-financial assets

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

(6) Income tax

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

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

(7) Provision

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

VI. CONTENTS OF SIGNIFICANT ACCOUNTS

1. Cash and cash equivalents

	31 Dec. 2021	31 Dec. 2020
Cash on hand	\$2,196	\$2,138
Check Deposit	166	1,197
Saving Account	207,028	92,112
Total	<u>\$209,390</u>	<u>\$95,447</u>

2. Financial assets at fair value through other comprehensive income

	31 Dec. 2021	31 Dec. 2020
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies' stock	<u>\$95,025</u>	<u>\$95,025</u>

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

For equity instrument investments measured at fair value through other comprehensive income, the Company did not recognize dividends for the years ended 31 December 2021 and 2020.

3. Financial assets measured at amortized cost

	31 Dec. 2021	31 Dec. 2020
Time Deposits	\$147,036	\$131,279
Saving Account-pledge account	370,278	322,471
Total	<u>\$517,314</u>	<u>\$453,750</u>
Current	\$429,823	\$374,045
Non-current	87,491	79,705
Total	<u>\$517,314</u>	<u>\$453,750</u>

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. 2021	31 Dec. 2020
Notes receivables	\$20,653	\$5,572
Less: allowance for doubtful accounts	-	-
Total	<u>\$20,653</u>	<u>\$5,572</u>

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 and Long-term Receivable

	31 Dec. 2021	31 Dec. 2020
Accounts Receivable	\$220,153	\$196,599
Long-term receivable (Note)	-	426,943
Less: allowance for doubtful accounts	(7,393)	(7,393)
Subtotal	<u>212,760</u>	<u>616,149</u>
Accounts receivable from related parties	1,657,929	1,527,974
Less: allowance for doubtful accounts	-	-
Subtotal	<u>1,657,929</u>	<u>1,527,974</u>
Total	<u>\$1,870,689</u>	<u>\$2,144,123</u>
Current(Recognized as accounts receivable - net)	\$1,870,689	\$1,717,180
Non-current(Recognized as long term accounts receivable)	-	426,943
Total	<u>\$1,870,689</u>	<u>\$2,144,123</u>

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

Accounts receivables are generally regulated by contracts. Account receivable amounted to NT\$1,878,082 thousand and NT\$2,151,516 thousand as at 31 December 2021 and 2020. Please refer to Note VI(19) for more details on impairment of accounts receivables for the years ended 31 December 2021 and 2020 and please refer to Note XII for credit risk disclosure.

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

6. Other Receivables

	31 Dec. 2021	31 Dec. 2020
Other receivables	\$419,365	\$42,010
Less: allowance for doubtful accounts	(37,696)	(38,504)
Subtotal	381,669	3,506
Other receivables from related parties	32,051	24,851
Less: allowance for doubtful accounts	-	-
Subtotal	32,051	24,851
Total	<u>\$413,720</u>	<u>\$28,357</u>

Information on changes of loss allowance for other receivables for the years ended 31 December 2021 and 2020 are as follows:

	Other Receivable
1 Jan. 2021	\$38,504
Decrease in other receivable	(808)
Write-off due to uncollectible	-
31 Dec. 2021	<u>\$37,696</u>
1 Jan. 2020	\$38,504
Increase in other receivable	-
Write-off due to uncollectible	-
31 Dec. 2020	<u>\$38,504</u>

7. Inventories

	31 Dec. 2021	31 Dec. 2020
Raw materials	\$66,863	\$33,147
Work in progress	138,594	89,655
Finished goods	57,094	90,712
Total	<u>\$262,551</u>	<u>\$213,514</u>

The cost of inventories recognized in expenses amounted to NT\$588,320 thousand and NT\$473,241 thousand for the years ended 31 December 2021 and 2020, including the clearance of inventories in all aging intervals in 2021, resulting in a decrease in the amount of sluggish inventories set aside by the Company, thereby generating inventory reversal benefits of NT\$10,756 thousand and recognized inventory depreciation losses of NT\$4,567 thousand in 2020.

No inventories were pledged.

8. Other Current Asset and Other Non-current Assets

	31 Dec. 2021	31 Dec. 2020
Prepayments	\$27,817	\$26,526
Prepayments for equipment	73,519	12,418
Others	12,863	11,361
Total	<u>\$114,199</u>	<u>\$50,305</u>
Current	\$40,680	\$37,887
Non-current	73,519	12,418
Total	<u>\$114,199</u>	<u>\$50,305</u>

- (1) Prepayments include prepayments for insurance 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. 2021		31 Dec. 2020	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in Associates				
Kuo Toong International LLC.	\$599,482	100.00%	\$629,355	100.00%
Hsiyu Seawater Desalination Co., Ltd.	43,787	100.00%	13,318	100.00%
Jie Mao International Co., Ltd.	53,278	100.00%	84,987	100.00%
Jianyi Construction Co., Ltd.	138,543	100.00%	148,651	100.00%
Kuo Hsin Technology Co., Ltd.	58,760	73.60%	67,799	73.60%
Dinteng Co, Ltd.	1,578,047	50.50%	1,511,052	50.50%
Fujian Tai Ming Casting Pipes Technology Co, Ltd.	323,802	43.57%	499,566	43.57%
Marvel Line Co., Ltd.	2,562	0.76%	2,489	0.76%
Total	<u>\$2,798,261</u>		<u>\$2,957,217</u>	

- (1) Hsiyu Seawater Desalination Co., Ltd. issued 2,900 thousand new shares with a cash capital increase on 31 March 2021. The company acquired 2,900 thousand shares at a price of 29,000 thousand. The shareholding ratio of Hsiyu Seawater Desalination Co., Ltd. remains unchanged.
- (2) In July 2012, the company generated goodwill due to the acquisition of 100% equity of Jianyi Construction Co., Ltd., which was mainly derived from the expected merger synergy, revenue growth and future market development. No.36 stipulates that for business combination to obtain goodwill, at least an impairment test shall be conducted every year. When the impairment test is performed, the goodwill is related to the cash-generating unit of Jianyi Construction Co., Ltd. The impairment of goodwill is calculated by calculating the cash-generating unit. The recovery amount and the book value of the net assets are assessed whether impairment is required. As Jianyi Construction Co., Ltd. failed to obtain the project bid, the actual operating income growth was not as expected. Therefore, the company and the outsourced independent evaluation experts evaluated the recoverable amount of the cash-generating unit in the Republic of China in 2021 and 2020. It is less than the book amount, so the impairment loss of goodwill of NT\$0 thousand and NT\$34,021 thousand are recognized respectively.
- (3) The above-mentioned subsidiaries will pay NT\$16,400 thousand and NT\$294 thousand in cash dividends to the company as of 31 December 2021 and 2020, respectively.
- (4) For information on the company's consolidated subsidiaries, please also refer to the company's 2021 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. 2021	31 Dec. 2020
Owner occupied property, plant and equipment	\$316,052	\$354,577

Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2021	\$106,322	\$180,052	\$835,030	\$105,544	\$4,687	\$1,231,635
Additions	-	2,139	11,270	1,363	-	14,772
Disposal	-	-	(30,917)	(1,687)	-	(32,604)
Other	-	-	661	-	-	661
31 Dec. 2021	<u>\$106,322</u>	<u>\$182,191</u>	<u>\$816,044</u>	<u>\$105,220</u>	<u>\$4,687</u>	<u>\$1,214,464</u>
1 Jan. 2020	\$106,322	\$188,973	\$794,285	\$104,670	\$6,894	\$1,201,144
Additions	-	595	25,725	2,540	2,151	31,011
Disposal	-	(9,836)	(15,591)	(1,666)	(18)	(27,111)
Other	-	320	30,611	-	(4,340)	26,591
31 Dec. 2020	<u>\$106,322</u>	<u>\$180,052</u>	<u>\$835,030</u>	<u>\$105,544</u>	<u>\$4,687</u>	<u>\$1,231,635</u>
Depreciation and impairment						
1 Jan. 2021	\$-	\$117,201	\$680,038	\$79,819	\$-	\$877,058
Depreciation	-	7,109	41,694	4,486	-	53,289
Disposal	-	-	(30,248)	(1,687)	-	(31,935)
31 Dec. 2021	<u>\$-</u>	<u>\$124,310</u>	<u>\$691,484</u>	<u>\$82,618</u>	<u>\$-</u>	<u>\$898,412</u>
1 Jan. 2020	\$-	\$111,183	\$657,419	\$74,777	\$-	\$843,379
Depreciation	-	7,766	35,706	4,294	-	47,766
Impairment loss	-	-	-	1,778	-	1,778
Disposal	-	(1,748)	(13,087)	(1,030)	-	(15,865)
31 Dec. 2020	<u>\$-</u>	<u>\$117,201</u>	<u>\$680,038</u>	<u>\$79,819</u>	<u>\$-</u>	<u>\$877,058</u>
Net book value:						
31 Dec. 2021	<u>\$106,322</u>	<u>\$57,881</u>	<u>\$124,560</u>	<u>\$22,602</u>	<u>\$4,687</u>	<u>\$316,052</u>
31 Dec. 2020	<u>\$106,322</u>	<u>\$62,851</u>	<u>\$154,992</u>	<u>\$25,725</u>	<u>\$4,687</u>	<u>\$354,577</u>

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

11. Short-term Loans

	Interest rate range	31 Dec. 2021	31 Dec. 2020
Secured loans	1.73%~2.09%	\$798,560	\$1,123,967
Unsecured loans	1.72%~2.00%	95,781	-
Total		<u>\$894,341</u>	<u>\$1,123,967</u>

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

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

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

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

13. Other Payable

	31 Dec. 2021	31 Dec. 2020
Salaries Payable	\$28,082	\$27,190
Other expenses payable	63,808	45,599
Equipment payments payable	3,429	318
Other payable – related parties	8,894	8,894
Other payable - others	61,547	86,253
Total	<u>\$165,760</u>	<u>\$168,254</u>

14. Bonds payable

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

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

(2) Please refer to Note VI(21) for the interests expenses on bonds payable.

15. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2021	Interest rate (Note)	Redemption
Export–Import Bank Secured Loan	\$23,317		From 31 October 2018 to 31 October 2022. The grace period is 18 months. The principal shall be repaid by amortization evenly every 6 months after the grace period, and interest is paid monthly.
Shanghai Commercial Bank Secured Loan	14,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020 amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	163,470		From 14 August 2020 to 14 August 2023, interest will be paid on a monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	16,656		From 3 September 2020 to 3 August 2022, interest was paid on a monthly basis and principal was repaid at maturity.
Shanghai Commercial Bank Secured Loan	34,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
Taichung Bank Leasing Co., Ltd. Credit Loan	142,259		From 15 October 2021 to 15 March 2026, interest paid on a basis and will be deducted 40% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
Subtotal	393,702		
Less: current portion	(55,973)		
Total	<u>\$337,729</u>		

Note: Interest rate range is between 1.65%~4.50%.

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

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

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 2021 and 2020 are NT\$11,181 thousand and NT\$4,953 thousand, respectively.

Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regards to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$886 thousand to its defined benefit plan during the 12 months beginning after 31 December 2021.

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

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

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

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

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

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

	Defined benefit obligation	Plan assets at fair value	Net defined benefit liabilities (assets)
1 Jan. 2020	56,163	(34,385)	21,778
The Cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service cost	764	-	764
Interest expense (income)	381	(236)	145
Subtotal	<u>57,308</u>	<u>(34,621)</u>	<u>22,687</u>
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	2,902	-	2,902
Experience adjustments	30,161	-	30,161
Remeasurements of the defined benefit assets	-	(1,212)	(1,212)
Subtotal	<u>33,063</u>	<u>(1,212)</u>	<u>31,851</u>
Payment of benefit obligation	<u>(11,639)</u>	<u>2,069</u>	<u>(9,570)</u>
Contributions by employer	<u>-</u>	<u>(1,446)</u>	<u>(1,446)</u>
31 Dec. 2020	\$78,732	\$(35,210)	\$43,522
The cost of Defined Benefit Plan recognized to Profit and Loss:			
Current service costs	1,724	-	1,724
Interest expense (income)	229	(103)	126
Subtotal	<u>80,685</u>	<u>(35,313)</u>	<u>45,372</u>
Remeasurements of the net defined benefit liability/asset:			
Actuarial gains and losses arising from changes in financial assumptions	(1,047)	-	(1,047)
Experience adjustments	3,046	-	3,046
Remeasurements of the defined benefit assets	-	(548)	(548)
Subtotal	<u>1,999</u>	<u>(548)</u>	<u>1,451</u>
Payment of benefit obligation	<u>(18,360)</u>	<u>6,390</u>	<u>(11,970)</u>
Contributions by employer	<u>-</u>	<u>(7,548)</u>	<u>(7,548)</u>
31 Dec. 2021	<u>\$64,324</u>	<u>\$(37,019)</u>	<u>\$27,305</u>

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

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

A sensitivity analysis for significant assumption as at 31 December 2021 and 2020 is, as shown below:

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

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

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

17. Equity

(1) Common stock

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

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

(2) Capital surplus

	31 Dec. 2021	31 Dec. 2020
Common stock	\$1,388,625	\$1,388,625
Unproportionally subscribed equity investment to adjust the capital reserve	16,308	16,308
Treasury stock transactions	38,932	38,932
Employee stock options	24,113	24,113
Invalidation of conversion rights of convertible corporate debt	2,203	2,203
Total	<u>\$1,470,181</u>	<u>\$1,470,181</u>

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

(3) Treasury stock

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

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

(4) Retained earnings and dividend policies

The Company's Articles of Incorporation provide that the current net income, after deducting the previous years' losses, shall 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 R.O.C. Company Act, the Company's net income, after deducting previous years' losses, if any, is appropriated as legal reserve prior to any distribution until such reserve is equal to the Company's paid-in capital. The Company Act provides that where legal reserve may be distributed by issuing new shares or by cash, only the portion of legal reserve which exceeds 25% of the paid-in capital may be distributed.

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

For the first-time adoption of IFRS, the retained earnings set aside was both NT\$39,793 thousand as of 1 January 2021 and 2020. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2021 and 2020, therefore they did not reverse the retained earnings to undistributed retained earnings. As of 31 December 2021 and 2020, the amount of the first adoption of retained earnings were both NT\$39,793 thousand.

The Company's distribution of earnings and cash dividends per share in 2020 and 2019 were approved respectively through the shareholders' meeting on 22 July 2021 and 19 June 2020 as follows:

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

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

Please refer to Note VI(20) for relevant information about estimation basis and recognized amounts for employees' compensation and remuneration to directors.

18. Operating revenues

	2021	2020
Revenue from client contracts		
Sales - Merchandise	\$740,324	\$693,604
Sales - Construction	1,404,074	705,835
Sales- Rendering of Services	202,248	689
Total	<u>\$2,346,646</u>	<u>\$1,400,128</u>

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

(1) Disaggregation of revenue

For the year ended 31 December 2021

	Taiwan Operating Department
Pipe Fittings	\$740,324
Public Work Construction Revenue	1,404,074
Service Revenue	202,248
Total	<u>\$2,346,646</u>
Timing of Revenue Recognition:	
Goods Transferred at a point in Time	\$740,324
Construction Transferred Over Time	1,404,074
Labor Transferred Over Time	202,248
Total	<u>\$2,346,646</u>

For the year ended 31 December 2020

	Taiwan Operating Department
Pipe Fittings	\$693,604
Public Work Construction Revenue	705,835
Service Revenue	689
Total	<u>\$1,400,128</u>
Timing of Revenue Recognition	
Goods Transferred at a point in Time	\$693,604
Construction Transferred Over Time	705,835
Labor Transferred Over Time	689
Total	<u>\$1,400,128</u>

(2) Contract balances

A. Contract assets – current

	31 Dec. 2021	31 Dec. 2020	1 Jan. 2020
Public Work Construction	<u>\$740,685</u>	<u>\$698,377</u>	<u>\$674,744</u>

The engineering retention generated by the Company's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Company, which usually exceeds one year. The retention receivables as of 31 December 2021, 31 December 2020, and 1 January 2020 amounted to NT\$77,572 thousand, NT\$44,140 thousand and NT\$30,917 thousand, respectively, classified as contract assets.

B. Contract liabilities - current

	31 Dec. 2021	31 Dec. 2020	1 Jan. 2020
Public Work Construction	\$17,010	\$165,317	\$222,603
Advanced Receipts	30,871	35,399	20,374
Total	<u>\$47,881</u>	<u>\$200,716</u>	<u>\$242,977</u>

(3) The changes in contract assets and contract liabilities are mainly due to the difference between the time when the Company transfers goods or services to customers to meet the performance obligations and the time when the customers pay. There were no other major changes for the years ended 31 December 2021 and 2020.

19. Expected credit losses/(gains)

	2021	2020
Operating Expense- Expected credit losses(gains)		
Contract assets	\$-	\$-
Notes Receivable	-	-
Accounts Receivable and Long-Term	-	(1,367)
Total	<u>\$-</u>	<u>\$(1,367)</u>

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

The credit risk for measured at amortized cost is assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with are financial institutions with good credit, no allowance for losses has been provided in 2021 and 2020.

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

- (1) The total book value of the contract assets was NT\$740,685 thousand and NT\$698,377 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 2021

	Not yet due	Overdue				Total
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$1,898,342	\$-	\$-	\$-	\$7,393	\$1,898,735
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	7,393	7,393
Carrying amount	\$1,898,342	\$-	\$-	\$-	\$-	\$1,891,342

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

As at 31 December 2020

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

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

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

	Contract Assets	Notes Receivables	Trade Receivables
1 Jan. 2021	\$-	\$-	\$7,393
Addition/(reversal) for the current period	-	-	-
31 Dec. 2021	<u>\$-</u>	<u>\$-</u>	<u>\$7,393</u>
1 Jan. 2020	\$-	\$-	\$8,760
Addition/(reversal) for the current period	-	-	(1,367)
31 Dec. 2020	<u>\$-</u>	<u>\$-</u>	<u>\$7,393</u>

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

	2021			2020		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$132,244	\$46,270	\$178,514	\$124,235	\$36,632	\$160,867
Labor and health insurance	12,094	2,670	14,764	10,439	2,465	12,904
Pension	10,728	2,303	13,031	3,385	2,117	5,502
Remuneration of directors	-	7,885	7,885	-	2,687	2,687
Other personnel expenses	6,711	1,833	8,544	5,023	1,051	6,074
Depreciation	49,604	3,685	53,289	41,725	6,041	47,766
Amortization	28	281	309	69	637	706

(1) The number of employees of the company as of 31 December 2021 and 2020 were 224 and 215, respectively; among whom the number of directors who did not serve as employees concurrently were 7 and 5, 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\$990 thousand. The average employee benefit cost of the previous year was NT\$883 thousand.
 - B. The average employee salary cost of this year was NT\$ 823 thousand. The average employee salary cost of the previous year was NT\$ 766 thousand.
 - C. The average employee salary cost adjustment changes decreased by 7.44%.
 - D. The supervisor's remuneration for this year was NT\$0, and the supervisor's remuneration for the previous year is NT\$0. The Company has set up an audit committee to replace the supervisory function, so the amount was NT\$0.
 - E. 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 2% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

Based on the profit level, the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for year ended 31 December 2021 to be NT\$11,799 thousand and NT\$5,899 thousand, respectively, recognized as employee benefits expense. Based on the profit level the Company estimated the amounts of the employees' compensation and remuneration to directors and supervisors for the year ended 31 December 2020 amount to be NT\$2,735 thousand and NT\$1,367 thousand, respectively, recognized as employee benefits expense.

A resolution was approved at a Board of Directors meeting held on 31 March 2022 to distribute NT\$11,799 thousand and NT\$5,899 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements of 2021.

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

21. Non-operating income and expenses

(1) Other income

	2021	2020
Interest income	\$28,080	\$24,610
Other income-other	17,964	3,248
Total	<u>\$46,044</u>	<u>\$27,858</u>

(2) Other gains and losses

	2021	2020
Gain on disposal of property, plant and equipment	\$59	\$6,014
Foreign exchange losses, net	9,260	24,962
Impairment loss of property, plant and equipment	-	(35,799)
Others	(9,113)	(3,856)
Total	<u>\$206</u>	<u>\$(8,679)</u>

(3) Finance costs

	2021	2020
Interest expenses	<u>\$(33,488)</u>	<u>\$(25,882)</u>

22. Components of other comprehensive income

For the year ended 31 December 2021

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(1,451)	\$290	\$(1,161)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	(7,801)	-	(7,801)
Total other comprehensive income	<u>\$(9,252)</u>	<u>\$290</u>	<u>\$(8,962)</u>

For the year ended 31 December 2020

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$(31,851)	\$6,370	\$(25,481)
Unrealized gains from equity investments measured at fair value through other comprehensive income	6,683	-	6,683
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	19,226	-	19,226
Total other comprehensive income	<u>\$(5,942)</u>	<u>\$6,370</u>	<u>\$428</u>

23. Income tax

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

Income tax expense (income) recognized in profit or loss

	2021	2020
Current income tax expense:		
Current income tax charge	\$125,313	\$-
Adjustments in respect of current income tax of prior periods	(3,122)	1,081
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	1,675	29,887
Total income tax expense	<u>\$123,866</u>	<u>\$30,968</u>

Income tax recognized in other comprehensive income

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

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

	2021	2020
Accounting profit before tax from continuing operations	<u>\$572,233</u>	<u>\$156,039</u>
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$114,446	\$31,208
Tax effect of revenues exempt from taxation	(8,573)	-
Tax effect of expenses not deductible for tax purposes	95	18,388
Tax effect of deferred tax assets/liabilities	18,344	(19,709)
Adjustments in respect of current income tax of prior periods	(3,122)	1,081
Undistributed retained earnings - Levy	2,676	-
Total income tax expense recognized in profit and loss	<u>\$123,866</u>	<u>\$30,968</u>

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

For the year ended 31 December 2021:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$8,705	\$(3,534)	\$290	\$5,461
Inter-affiliated company transactions	225	1,772	-	1,997
Unrealized exchange losses (gains), net	(4,983)	3,141	-	(1,842)
Unrealized impairment losses	11,895	-	-	11,895
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	-	-	(107,580)
Other	14,521	(3,054)	-	11,467
Deferred income tax benefits (expense)		<u>\$(1,675)</u>	<u>\$290</u>	
Deferred income tax assets/(liabilities) net	<u>\$(90,600)</u>			<u>\$(91,985)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$35,346</u>			<u>\$30,820</u>
Deferred income tax liabilities	<u>\$(125,946)</u>			<u>\$(122,805)</u>

For the year ended 31 December 2020:

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

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

Year of occurrence	Tax losses for the period	Unused balance		Last deductible year
		31 Dec. 2021	31 Dec. 2020	
2017	113,880	<u>\$-</u>	<u>\$113,880</u>	2027

Unrecognized deferred income tax assets

As of 31 December 2021 and 2020, the total amount of unrecognized deferred income tax assets of the Company was NT\$0 thousand and NT\$22,776 thousand.

The assessment of income tax returns

As of 31 December 2021, the Company's income tax filings is as follows:

	<u>The assessment of income tax returns</u>
The Company	2019

24. Earnings per share

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

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

	<u>2021</u>	<u>2020</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$448,367</u>	<u>\$125,071</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,078</u>	<u>248,510</u>
Basic earnings per share (NT\$)	<u>\$1.81</u>	<u>\$0.50</u>
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$448,367</u>	<u>\$125,071</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,078</u>	<u>248,510</u>
Effect of dilution:		
Employee bonus - stock (in thousands)	<u>554</u>	<u>117</u>
Weighted average number of ordinary shares outstanding after dilution (in thousands)	<u>248,632</u>	<u>248,627</u>
Diluted earnings per share (NT\$)	<u>\$1.80</u>	<u>\$0.50</u>

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

<u>Name of the related parties</u>	<u>Nature of relationship of the related parties</u>
Hsiyu Seawater Desalination Co., Ltd.	Associate
Kuo Yang Environment Technology Co., Ltd.	Associate
Kuo Hsin Technology Co., Ltd.	Associate
Jianyi Construction Co., Ltd.	Associate
Marvel Line Co., Ltd.	Associate
Kuo Chuang Engineering Co., Ltd.	Associate
Xiamen Kuo Hsin Century Technology Co., Ltd.	Associate
Fujian Tai Ming Co, Ltd. Casting Pipes Technology Co., Ltd	Associate
Dinteng Co, Ltd.	Associate
Hong Ya Man	Director of the Company
Liang Jia Yuan	Director of the Company (Note1)
Ye Qin Zheng	President of the Company(Note2)
Du Guan zhen	Vice president of the Company

Note1: Stepped down from the position of the Company's chairman in 30 June 2020.

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

Significant related party transactions

1. Sales

	<u>2021</u>	<u>2020</u>
Associates		
Kuo Chuang Engineering Co., Ltd.	<u>\$195,129</u>	<u>\$319,396</u>

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

	2021	2020
Associates		
Kuo Yang Environment Technology Co., Ltd.	\$300,951	\$314,606
Others	6,523	8,300
Total	<u>\$307,474</u>	<u>\$322,906</u>

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

	Contract assets		Contract liabilities	
	For the years ended 31 December		For the years ended 31 December	
	2021	2020	2021	2020
Associates				
Kuo Yang Environment Technology Co., Ltd	\$18,043	\$-	\$486,836	\$414,151
Jianyi Construction Co., Ltd.	-	1,497	537,896	1,195,303
Total	<u>\$18,043</u>	<u>\$1,497</u>	<u>\$1,024,732</u>	<u>\$1,609,454</u>

3. Purchase

	2021	2020
Associates		
Others	<u>\$3,869</u>	<u>\$3,451</u>

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

4. Amounts owed by related parties

	31 Dec. 2021	31 Dec. 2020
Associates		
Kuo Yang Environment Technology Co., Ltd	\$1,584,660	\$1,527,974
Jianyi Construction Co., Ltd.	-	-
Kuo Chuang Engineering Co., Ltd.	73,269	-
Total	<u>\$1,657,929</u>	<u>\$1,527,974</u>

As of 31 December 2021 and 31 December 2020, retention receivables amounted to NT\$0 thousand and NT\$1,497 thousand, recognized as contract assets.

5. Amounts owed to related parties

	31 Dec. 2021	31 Dec. 2020
Associates		
Others	\$737	\$931

6. Others

(1) Other receivables-related parties

	31 Dec. 2021	31 Dec. 2020
Associates		
Kuo Yang Environment Technology Co., Ltd.(Note)	\$27,459	\$23,923
Others	4,592	928
Total	\$32,051	\$24,851

Note: The interest on accounts receivable from the company's subsidiary-Kuo Yang Environmental Technology Co., Ltd. is calculated based on the interest rate of the long-term borrowing from financial institutions by Kuo Yang Environmental Technology Co., Ltd. in 2021 and 2020. The interest income for the eight years was 27,459 thousand and 23,923 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	31 Dec. 2021	31 Dec. 2020
	Parties		
Other payable – related parties	Associate	\$8,894	\$8,894
Other current liabilities	Associate	113,313	113,313

(3) For the years ended 31 December 2021 and 2020, the Company provided demand deposits of NT\$35,525 thousand and NT\$27,187 thousand for bank loans of subsidiaries to pledge to banks, respectively.

(4) As of 31 December 2021 and 2020, the subsidiary Xiamen Guoxin Century Technology Co., Ltd. provided fixed deposits of NT\$371,002 thousand and NT\$502,221 thousand to the bank for the company's bank loans.

(5) As of 31 December 2021 and 2020, the subsidiary Kuo Hsin Technology Co., Ltd. provided real estate, plant and equipment for the company's bank loans at NT\$ 75,019 thousand and NT\$ 80,257 thousand, respectively.

(6) As of 2021 and 2020, 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.

8. Key management personnel compensation

	2021	2020
Short-term employee benefits	\$23,415	\$22,041
Post-employment benefits	835	1,048
Total	<u>\$24,250</u>	<u>\$23,089</u>

VIII. ASSETS PLEDGED AS COLLATERAL

The Company has the following Assets pledged as Collateral:

Items	Book Value		Purpose of pledge
	31 Dec. 2021	31 Dec. 2020	
Financial assets measured at amortized costs - current	\$429,823	\$374,034	Short-term loans, short-term notes payable, Construction Performance, CPC credit sale collateral and guaranteed warranty
Financial assets measured at amortized costs – non-current	87,491	79,705	Penghu desalinated water contract performance guarantee, bonds payable, Construction Performance Guarantee, long-term borrowings and Litigation Liability Guarantee
xProperty, plant and equipment	117,953	122,272	Long-term borrowings, Short-term loans
Investments accounted for under the equity method	677,660	775,141	Bond, Long-term loans.
Total	<u>\$1,312,927</u>	<u>\$1,351,152</u>	

IX. Significant contingencies and unrecognized contract

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

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

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

	31 Dec. 2021	31 Dec. 2020
Guarantee of performance of the contracted work	\$590,762	\$663,258
Guarantee of performance in the contract of sales	10,000	15,000
Total	<u>\$600,762</u>	<u>\$678,258</u>

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

4. Joint Venture Contracts:

Participants of the Joint Venture Contracts	Case	31 Dec. 2021		31 Dec. 2020	
		Contract Total Price	Contract Proportion	Contract Total Price	Contract Proportion
Sheng Ho Construction Co., Ltd.	A	\$158,095	20.00%	\$158,095	20.00%
Sheng Ho Construction Co., Ltd.	B	158,055	20.00%	158,055	20.00%
Sheng Ho Construction Co., Ltd.	C	279,048	65.00%	279,048	65.00%
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	D	4,077,471	51.85%	4,077,471	51.85%
Mountain Forestry and Water Environmental Engineering Co., Ltd And Chin Cheng Construction Co., Ltd.	E	3,110,476	65.00%	-	-
Sheng Ho Construction Co., Ltd.	F	379,638	30.00%	-	-
Total		<u>\$8,162,783</u>		<u>\$4,672,669</u>	

5. Contingent Liabilities:

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

The Group and the proprietor failed to reach a consensus after several mediations conducted by the Public Construction Committee of the Executive Yuan. The Group withdrew the mediation case for the overdue project in dispute on 2 November 2017, and filed a civil action to the Taichung District Court of Taiwan on 21 December 2017 and an administrative action to Taichung High Administrative Court on 22 December 2017. The Taichung High Administrative Court ruled that the construction period should be extended by 247 days on 20 June 2019, the overdue period of the project was 350 days, and dismissed the Group's suspension appeal. Although the suspension has been executed, the Group still appealed to the Supreme Administrative Court on 23 July 2019 for delays that cannot be attributed to the Group. The Supreme Administrative Court rejected the appeal on 31 August 2020, and the Group filed for retrial on 30 September 2019.

In addition, after the lawyers appointed by the Group reviewed the related construction period analysis data and the expert opinions, they believed that if the project was overdue due to additional water testing projects and insufficient water sources, the construction period should be extended for at least 640 days, 597 days, 51 days or other days, and the Group can also request a reduction in overdue fine, however the disputes are still pending final judgment. As the case is still pending trial, the Group assessed that the matters mentioned above should be extended for at least 536.9 days, and estimated that the initial possible overdue days was 60.1 days. Therefore, the Group estimated that the overdue project fine would be NT\$119,555 thousand. As at 31 December 2020, the proprietor intended to transfer the Group's accounts receivable of NT\$426,943 thousand as overdue fines based on the above-mentioned overdue project. All accounts receivables in the amount were transferred to long-term receivables. On October 18, 2021, the Taichung District Court of Taiwan ruled in the first instance that the proprietor shall pay the Group \$373,207 thousand plus interest, and the proprietor appealed against the judgment. On March 7, 2022, the Group reached a settlement agreement with the Owner after the Second Instance Judge of the Taichung Branch of the High Court of Taiwan communicated with both parties and the proprietor agreed to pay the Company \$381,105 thousand, and the remaining issues of the dispute claim was abandoned and no appeal was made. The difference between the estimated amount of the overdue fine and the project overdue fine was booked as a profit or loss for 2021.

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

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

X. Significant Disaster Losses

None.

XI. Significant subsequent events

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

XII. Other

1. Categories of financial instruments

Financial Assets

	31 Dec. 2021	31 Dec. 2020
Financial assets at fair value through other comprehensive income	\$95,025	\$95,025
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	207,194	93,309
Financial assets measured at amortized cost	517,314	453,750
Notes receivables	20,653	5,572
Trade receivables (related parties included)	1,870,689	1,717,180
Other receivables (related parties included)	413,720	28,357
Construction refundable deposits	69,254	58,855
Refundable deposits	18,290	16,128
Long-term receivables	-	426,943
Subtotal	3,117,114	2,800,094
Total	\$3,212,139	\$2,895,119

Financial Liabilities

	<u>31 Dec. 2021</u>	<u>31 Dec. 2020</u>
Financial liabilities at amortized cost:		
Short-term loans and notes payable	\$904,299	\$1,133,943
Payments payable (related parties included)	666,712	662,050
Bond payable	249,951	249,755
Long-term borrowings (current portion included)	393,702	216,244
Refundable deposits received	17,600	25,179
Total	<u>\$2,232,264</u>	<u>\$2,287,171</u>

2. Financial risk management objectives and policies

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

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

3. Market risk

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

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

Foreign currency risk

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

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

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

When NTD strengthens/weakens against USD by 1%, the profit for the years ended 31 December 2021 and 2020 decreases/increases by NT\$2,815 thousand and NT\$3,324 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 2021 and 2020 will increase or decrease by NT\$556 thousand and NT\$793 thousand respectively.

Equity price risk

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

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

4. Credit risk management

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

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

As of 31 December 2021 and 2020, accounts receivables from top ten customers both represented 100% of the total accounts receivables of the Company, the credit concentration risk of other accounts receivables is insignificant.

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

5. Liquidity risk management

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

Non-derivative financial liabilities

	Less than 6 months	6-12 months	1-2 years	2-5 years	> 5 years	Total
31 Dec.2021						
Loans	\$130,383	\$834,336	\$182,699	\$9,816	\$9,636	\$1,166,870
Notes and accounts payable	458,267	14,049	13,354	15,282	-	500,952
Other payables	165,760	-	-	-	-	165,760
Bonds payable	251,950	-	-	-	-	251,950
Refundable deposits received	12,784	898	1,703	2,215	-	17,600

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

6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2021:

	Long-term borrowings					
	Short-term	Short-term notes payable	(current portion included)	Bonds payable	Refundable deposits received	Total
1 Jan. 2021	\$1,123,967	\$9,976	\$216,244	\$249,755	\$25,719	\$1,625,121
Cash flows	(218,848)	(18)	185,199	-	(7,579)	(41,246)
Non-cash changes	(1,245)	-	(7,741)	196	-	(8,790)
Exchange difference	(9,533)	-	-	-	-	(9,533)
31 Dec. 2021	<u>\$894,341</u>	<u>\$9,958</u>	<u>\$393,702</u>	<u>\$249,951</u>	<u>\$17,600</u>	<u>\$1,565,552</u>

Reconciliation of liabilities for the year ended 31 December 2020:

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

7. Fair values of financial instruments

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

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

- A. The carrying amount of cash and cash equivalents, 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 2021

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

As at 31 December 2020

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

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements.

Changes in Level 3 of the recurring fair value hierarchy

If the assets and liabilities measured by the recurring fair value of the 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. 2021	\$95,025
Total gains and losses recognized	
Amount recognized in OCI	-
31 Dec. 2021	\$95,025

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

Information on significant unobservable inputs to valuation

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

31 December 2021

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	15%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$2,549thousand

31 December 2020

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

Valuation process of Level 3 fair value measurement

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

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

31 December 2021

	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	\$-	\$-	\$2,798,261	\$2,798,261

31 December 2020

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

9. Significant assets and liabilities denominated in foreign currencies

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

	31 December. 2021			31 December. 2020		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$1,813	27.63	\$50,093	\$67	28.43	\$1,923
<u>Financial liabilities</u>						
Monetary items:						
USD	12,000	27.63	331,560	11,760	28.43	334,337

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 2021 and 2020, the foreign exchange gains or losses on monetary financial assets and financial liabilities amounted to NT\$9,260 thousand, NT\$24,962 thousand, respectively.

10. Capital management

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

11. Others

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

XIII. ADDITIONAL DISCLOSURES

1. The following are additional disclosures for the Company and its affiliates as required by the R.O.C. Securities and Futures Bureau:
 - (1) Financing provided to others for the year ended 31 December 2021: Please refer to Attachment 1.
 - (2) Endorsement/Guarantee provided to others for the year ended 31 December 2021: Please refer to Attachment 2.
 - (3) Securities held as of December 31, 2021 (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 2021: None.
 - (5) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
 - (6) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20 percent of the capital stock for the year ended 31 December 2021: None.
 - (7) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20 percent of the capital stock for the year ended 31 December 2021: 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 2021: Please refer to Attachment 5.
 - (9) Name of the Investee Company, location, etc. (Do not include investees in China): Details in Attachment 6.
 - (10) Financial instruments and derivative transactions: None.

2. Information in Mainland China:

- (1) Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying amount of investments, cumulated inward remittance of earnings and limits on investment in Mainland China: Please refer to Attachment 7.
- (2) Directly or indirectly significant transactions through third regions with the investees in Mainland China, including price, payment terms, unrealized gain or loss, and other events with significant effects on the operating results and financial condition: None.

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)	Allowanc e for doubtful accounts	Collateral		Limit of financing amount for individual counterparty (Note 2)	Limit of total financing amount (Note 3)
													Item	Value		
1	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Other receivables	Yes	\$248,463 (CNY 57,000)	\$246,183 (CNY 57,000)	\$246,183 (CNY 57,000)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$249,638	\$249,638

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

Attachment 2: Endorsement/Guarantee provided to others

No. (Note1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note13)	Ending balance (Note14)	Actual amount provided (Note15)	Amount of collateral guarantee/ endorsement	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsement amount to subsidiaries	Subsidiaries' guarantee/ endorsement amount to parent company	Guarantee/ endorsement amount to company in Mainland China
		Company Name	Relationship										
0	The Company	Hsiyu Seawater Desalination Co., Ltd.	Kuo Toong Holding Corporation	\$7,442,346 (Note 4)	\$125,000	\$125,000	\$85,000	None	2.60%	\$12,403,908 (Note 4)	Y	N	N
0	The Company	Kuo Yang Environment Technology Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 4)	1,357,300	1,307,300	1,169,946	None	27.23%	12,403,908 (Note 4)	Y	N	N
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	Kuo Toong Holding Corporation	3,360,723 (Note 2)	1,583,652	1,547,889	1,316,006	35,525	32.24%	4,560,981 (Note 3)	Y	N	Y
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	Ultimate parent company of Xiamen Kuo Hsin	1,065,291 (Note 5)	512,730	497,340	331,560	371,002	158.66%	1,420,388 (Note 6)	N	Y	N
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Company with business relationships	188,078 (Note 7)	167,386	165,850	165,850	165,850	52.91%	313,464 (Note8)	N	N	Y
2	Kuo Chuang Engineering Co., Ltd.	Hsiyu Seawater Desalination Co., Ltd.	Controlled by ultimate parent company	180,000 (Note 11)	15,000	-	-	-	-	300,000 (Note 12)	N	N	N
3	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 9)	110,000	110,000	77,000	75,019	137.78%	430,000 (Note 10)	N	Y	N
4	Dinteng Co, Ltd.	Kuo Yang Environment Technology Co.,	Parent Company of Dinteng	4,883,225 (Note 11)	1,147,300	1,147,300	1,035,170	None	36.59%	8,138,709 (Note 12)	Y	N	N

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

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

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

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

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

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

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

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

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

(Note 14) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note 15) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

Attachment 3: Securities held as of 31 December 2021. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities(Note1)	Relationship	Financial statement account	As of 31 December 2021				Note
				Shares (thousand)	Book value (thousands)	Percentage of ownership (%)	Fair value	
The Company	Unisted stock- Harbin Kuo Toong Pipeline Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	\$95,025	25.00%	\$95,025	Not pledged
	Unisted (counter) stock- Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	10.42%	-	Not pledged
	Unisted (counter) stock- Jihiben International Development Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	3,000,000	-	18.00%	-	Not pledged
	Unisted (counter) stock- Yuangang Industrial Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	2,000,000	-	5.00%	-	Not pledged
Jie Mao International Co., Ltd.	Unisted (counter) stock- Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	9.73%	-	Not pledged

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

Attachment 4: Related party transactions for purchases and sales exceeding the lower of NT\$100 million or 20 percent of the capital stock as of 31 December 2021

Related party	Counterparty	Relationship	Intercompany Transactions				Details of non-arm's length transaction		Notes and accounts receivable (payable)	
			Purchases (Sales)	Amount	Percentage of total consolidated purchase (Sales)	Terms	Unit Price	Terms	Carrying amount	Percentage of total consolidated receivables (payable)
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Construction revenue	\$300,951	12.82%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$1,584,660	83.46%
	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales revenue-net	195,129	8.32%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 59,878	3.15%
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	300,951	62.88%	-	-	Payment according to project contract assessment progress	Accounts payable 1,584,660	99.94%
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chang	Purchase-net	195,129	99.24%	-	-	Pay monthly according to the purchase contract	Accounts payable 59,878	75.04%
Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	Holding company's subsidiary	Sales revenue-net	235,981	12.68%	-	-	According to the sales contract, the payment will be collected month by month	Accounts receivable 36,612	7.16%
Linwu Taiming Pipe Industry Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	The parent company of the holding company	Purchase-net	235,981	99.07%	-	-	Pay monthly according to the purchase contract	Accounts payable -	-

Attachment 5: Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20 percent of capital stock as of December 31, 2021

Related party	Counterparty	Relationship	Amount	Average amount turnover	Overdue account receivable-related parties		Amount received in subsequent period	Allowance for doubtful debts
					Amount	Processing method		
The Company	Kuo Yang Environment Technology Co., Ltd.	Subsidiary	Accounts receivable \$1,584,660 Other receivables – interests receivable \$27,459	19.34%	-	-	\$50,758	-
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Other receivables -financial accommodation \$246,183 Other receivables – interests receivable \$81,512	-	-	-	-	-

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2021, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2021 (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares(thousand)	Percentage of ownership(%)	Book value (Note1)			
Hsiyu	KuoToong International LLC.	Dealaware, USA	Engaged in reinvestment holding activities	\$23,625	\$23,625	680,000	100.00%	\$599,482	\$(26,440)	\$(25,069)	Subsidiary
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	88,000	11,700,000	100.00%	43,787	1,469	1,469	Subsidiary
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	53,278	(6,448)	(6,448)	Subsidiary
	Kuo Hsin Technology Co., Ltd.	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	58,760	(12,282)	(9,039)	Subsidiary
	Jianyi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sand and gravel, silt marine dumping, etc.	174,235	174,235	17,000,000	100.00%	138,543	(10,108)	(10,108)	Subsidiary
	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	2,562	(26,610)	109	Subsidiary
	Dinteng Co, Ltd.	Zuoying district, Kaohsiung	Energy technology services, water supply management, machinery, equipment manufacturing and installation piping engineering, other environmental sanitation and pollution prevention services, etc.	1,363,692	1,363,692	82,202,031	50.50%	1,578,047	131,211	66,995	Subsidiary

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2021			Net income (loss) of investee company	Investment income (loss) recognized (Note2)	Note
				Ending balance	Beginning balance	Number of shares(thousand)	Percentage of ownership(%)	Book value (Note1)			
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	63,088	(6,427)	(6,427)	Subsidiary
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	619,354	(26,610)	(26,408)	Subsidiary
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	244,194,858	100.00%	3,130,995	131,048	131,048	Subsidiary

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

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

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 January 2021	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2021	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 2)	Carrying Value as of 31 December 2021	Accumulated Inward Remittance of Earnings as of 31 December 2021
					Outflow	Inflow						
Xiamen Kuo Hsin Century Technology Co., Ltd.	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$431,900 (CNY 100,000) thousand	(1) Marvel Line Co., Ltd.	\$401,160 (USD 14,519) thousand	\$-	\$-	\$401,160 (USD 14,519)	\$(49,265)	91.00%	\$(44,831)	\$285,209	-
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	17,060 (CNY 3,950) thousand	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	(21)	47.47%	(10)	3,197	-
Xiamen Xiangyu Rural Environmental Ecological Technology Co., Ltd.	Engineering and technical research and experimental development, environmental sanitation management, sewage treatment and its recycling	4,319 (CNY 1,000) thousand	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	4,175	30.86%	-	(2,645)	-
Fujian Taiming Casting Pipe Technology (Stock) Company	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	1,511,650 (CNY 350,000) thousand	(1) 、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 6)	657,953 (USD 23,813) thousand	-	-	657,953 (USD 23,813)	(398,586)	55.00%	(218,360)	410,311	-
Fujian Taiming Trading Co., Ltd.	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	21,595 (CNY 5,000) thousand	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(14,237)	100.00%	(14,237)	(37,761)	-
Linwu Taiming Pipe Industry Technology Co., Ltd.	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note 3)	(2) Fujian Taiming Casting Pipe Technology (Stock) Company	-	-	-	-	(13,628)	100.00%	(13,628)	(17,522)	-

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
\$1,221,495 (USD44,209 thousand)(Note 5)	\$1,221,495 (USD44,209 thousand) (Note 5)	\$4,045,795

(Note1) Methods of investment are divided into three:

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

(Note2) The investment income recognized for this period included unrealized gains and loss.

(Note3) As of 31 December 2021, accumulated prepaid investment is NTD 28,505 thousand (CNY6,600 thousand).

(Note4) Accumulated investment outflow of the Company from Taiwan is USD 23,813 thousand (converted to NTD657,953 thousand) ; the accumulated indirect investment in Mainland China (Xiamen Kuo Hsin Century Technology Co., Ltd.)from the Company is CNY40,000 thousand(converted to NTD172,760 thousand).

(Note5) The amount of reinvestment in the mainland area includes Xinjiang Guotong Pipeline Co., Ltd., Harbin Guotong Pipeline Co., Ltd. and Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.

(Note6) 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.

(Note7)The exchange rate of USD to New Taiwan dollars was 1: 27.63 based on the Company’s announcement made at end of December 2021. The exchange rate of RMB to New Taiwan dollars was 1: 4.319 based on the Company’s announcement made at end of December 2021.

KUO TOONG INTERNATIONAL CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

31 December 2021

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

Item	Description	Total	Note
Cash		\$978	1.The exchange rate of the US dollar to the NTD is 1:27.63.
Petty cash		1,218	
Subtotal		2,196	
Bank Check Deposits		166	2.The exchange rate of the RMB to the NTD is 1:4.319.
Bank Deposits-NT Dollars		155,486	
Bank Deposits-Foreign currency	USD 1,806,963.08	49,926	3.The exchange rate of the EUR to the NTD is 1:31.12.
	RMB 370,996.64	1,602	
	EUR 431.51	14	
Subtotal		207,194	
Total		\$209,390	

KUO TOONG INTERNATIONAL CO., LTD.

2. STATEMENT OF NOTES RECEIVABLE

31 December 2021

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

Client	Description	Amount	Note
Client A		\$7,461	The amount of individual client in others does not exceed 5% of the account balance.
Client B		6,985	
Client C		3,901	
Client D		2,120	
Others		186	
Subtotal		20,653	
Less: Allowance for doubtful debts		-	
Net amount		\$20,653	

KUO TOONG INTERNATIONAL CO., LTD.

3. STATEMENT OF ACCOUNTS RECEIVABLE

31 December 2021

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

Client	Description	Amount	Note
Client A		\$120,499	The amount of individual client in others does not exceed 5% of the account balance.
Client B		47,870	
Client C		20,958	
Client D		15,108	
Others		15,718	
Subtotal		220,153	
Less: Allowance for doubtful debts		(7,393)	
Net amount		\$212,760	

KUO TOONG INTERNATIONAL CO., LTD.

4. STATEMENT OF INVENTORIES

31 December 2021

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

Item	Description	Amount		Note
		Cost	Market Price	
Raw materials		\$78,585	\$66,863	The market price is the net realizable value.
Work in progress		147,128	138,594	
Finished goods		68,828	57,094	
Total		294,541	\$262,551	
Less: Allowance for inventory valuation losses		(31,990)		
Net amount		\$262,551		

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

31 December 2021

(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	\$629,355	-		\$-		-		\$(25,069) \$(4,804)	(Note 1) (Note 2)	680	\$599,482	913.29	\$621,035	100%	None	
Hsiyu Seawater Desalination Co., Ltd.	8,800	13,318	2,900	(Note 7)	29,000 1,469	(Note 7) (Note 1)	-				11,700	43,787	3.74	43,787	100%	None	
Jie Mao International Co., Ltd.	10,900	84,987	-		1,124	(Note 4)	-		(16,400) (6,447) (9,986)	(Note 5) (Note 1) (Note 3)	10,900	53,278	5.80	63,264	100%	None	
Jianyi Construction Co., Ltd.	17,000	148,651	-		-		-		(10,108)	(Note 1)	17,000	138,543	8.15	138,543	100%	None	
Kuo Hsin Technology Co., Ltd.	31,650	67,799	-		-		-		(9,039)	(Note 1)	31,650	58,760	1.86	58,760	73.60%	None	
Dinteng Co, Ltd.	75,925	1,511,052	-		66,995	(Note 1)	-		-		75,925	1,578,047	20.85	1,583,300	50.50%	(Note 6)	
Fujian Taiming Casting Pipe Technology Co, Ltd.	152,500	499,566	-		-		-		(172,803) (2,961)	(Note 1) (Note 2)	152,500	323,802	2.21	336,553	43.57%	None	
Marvel Line Co., Ltd.	183	2,489	-		109	(Note 1)	-		(36)	(Note 2)	183	2,562	25.98	4,755	0.76%	None	
Total		\$2,957,217			\$98,697				\$(257,653)			\$2,798,261					

(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)Cash dividends paid by subsidiaries.

(Note 6) 35,300 thousand shares are mortgaged for bank loans and corporate bond guarantee.

(Note 7) New investment

KUO TOONG INTERNATIONAL CO., LTD.

6.STATEMENT OF NOTES PAYABLE

31 December 2021

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

Client	Description	Amount	Note
Client A		\$8,715	The amount of individual client in others does not exceed 5% of the account balance.
Client B		8,499	
Client C		7,221	
Client D		5,607	
Others		72,930	
Total		\$102,972	

KUO TOONG INTERNATIONAL CO., LTD.

7.STATEMENT OFACCOUNTS PAYABLE

31 December 2021

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

Client	Description	Amount	Note
Client A		\$111,753	The amount of individual client in others does not exceed 5% of the account balance.
Client B		78,071	
Client C		27,855	
Client D		26,416	
Client E		21,214	
Others		131,934	
Total		\$397,243	

KUO TOONG INTERNATIONAL CO., LTD.

8.STATEMENT OF OPERATING REVENUES

For the year ended 31 December 2021

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

Item	Amount	Amount	Note
Construction revenue		\$1,404,074	
Operating revenue			
Steel pipe	1,024.70 M	29,754	
Steel pipe parts	1 Set	40,037	
Ductile cast iron pipe	2,343 Cubic Meter	626,496	
Ductile cast iron pipe parts	1 Set	5,352	
Set of tubes	83 Tube	9,167	
Curved tubes	14 Tube	7,686	
End Ring	1,097 Group	17,853	
Others		3,979	
Subtotal		740,324	
Labor revenue		202,248	
Total		\$2,346,646	

KUO TOONG INTERNATIONAL CO., LTD.

9.STATEMENT OF OPERATING COSTS

For the year ended 31 December 2021

(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	\$45,296	
Add : Raw material purchased	446,019	
Transferred from Finished goods	5,799	
Transferred from conversion	155,918	
Transferred from others	333	
Less : Raw material, end of year	(78,585)	
Sold raw materials	(6,890)	
Transferred to conversion	(120,627)	
Transferred to expense	(24,561)	
Supplies and parts used	422,702	
Direct labor	77,631	
Factory overheads	267,134	
Manufacturing cost	767,467	
Add : Work in process, beginning of year	97,255	
Add : Transferred from material	120,627	
Transferred from others	41,075	
Less : Transferred to material	(155,918)	
Work in process, end of year	(147,128)	
Cost of finished goods	723,378	
Finished goods, beginning of year	113,709	
Add : Finished goods purchased	9,947	
Less : Finished goods, end of year	(68,828)	
Transferred to material	(5,799)	
Transferred to construction work-in-process	(200,658)	
Transferred to others	(1,010)	
Cost of Goods Sold of Self-made Product	570,739	
Cost of Goods Sold of Merchandise		
Merchandise : Beginning of year	-	
Less: Turn to expenses	(2)	
Turn to others	(916)	
Commodity inventory at the end of the period	-	
Cost of Goods Sold of Merchandise	(918)	
Invoicing cost	569,821	
Cost of raw materials sold	6,696	
Revenue from sale of scraps	(39)	
Reversal of inventory impairment	(10,756)	
Others	22,597	
Construction costs	949,876	
Total operating costs	\$1,538,195	

KUO TOONG INTERNATIONAL CO., LTD.

10. STATEMENT OF OPERATING EXPENSES

For the year ended 31 December 2021

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

Item	Marketing expenses	Management expenses	Research and development exxpenses	Expected credit impairment loss (profit)	Total	Note
Salary expenses	\$2,189	\$40,301	\$6,146	\$-	\$48,636	The amount of individual client in others does not exceed 5% of the account balance.
Travel expenses	734	808	92	-	1,634	
Insurance fee	205	1,952	675	-	2,832	
Communication fee	373	379	5	-	757	
Labor fee	-	6,721	866	-	7,587	
Financial expenses	-	3,483	-	-	3,483	
Depreciation	-	814	2,871	-	3,685	
Expected credit impairment (benefits)	-	-	-	(808)	(808)	
Other expenses	1,359	14,775	1,285	-	17,419	
Total	\$4,860	\$69,233	\$11,940	(\$808)	\$85,225	

VI. If the Company and its associates have experienced financial difficulties in the most recent year and by the print date of the annual report, the impact on the financial position of the Company shall be specified: none.

VII. Review and analysis of financial position and financial performance and risk issues

1. Financial position

Unit: NT\$ thousands

Item \ Year	2021	2020	Increase (decrease)		N o t e
			Amount	%	
Current assets	6,439,829	5,419,652	1,020,177	18.82	1
Property, plant and equipment	1,399,304	1,510,849	(111,545)	(7.38)	2
Intangible assets	1,365,568	1,254,167	111,401	8.88	3
Other Assets	4,080,011	4,482,581	(402,570)	(8.98)	4
Total Assets	13,284,712	12,667,249	617,463	4.87	
Current liabilities	4,531,560	4,243,088	288,472	6.80	5
Non-current liabilities	2,010,161	1,933,943	76,218	3.94	6
Total liabilities	6,541,721	6,177,031	364,690	5.90	
Equity attributable to owners of the parent company	4,801,033	4,423,648	377,385	8.53	
Share Capital	2,480,782	2,480,782	0	0	
Capital Fund	1,470,181	1,470,181	0	0	
Retention Surplus	1,099,624	714,438	385,186	53.91	7
Other interests	(249,554)	(241,753)	(7,801)	3.23	8
Treasury Stocks	0	0	0	-	
Non-controlling interests	1,941,958	2,066,570	(124,612)	(6.03)	9
Total equity	6,742,991	6,490,218	252,773	3.89	

Analysis of the percentage change of increase or decrease

- Current assets increased by NT\$1,020,177 thousand due to the settlement reached with the landlord of the "New Construction Project of Hushan Water Purification Plant", therefore, the amount of the litigation settlement and litigation expenses were recognized in the current period and reclassify long term receivables of \$426,943 thousand to other receivables. Sales for the period were on a growth trend and the factory increased production and stocking in order to be ready for immediate delivery. Increase in prepayments due to higher production volumes and higher raw material prices.
- Property, plant and equipment decreased by \$111,545 thousand mainly due to the disposal of old machinery and equipment such as gas stations by the Consolidated Company.
- Intangible assets increased by \$111,401 thousand, mainly due to the addition of \$143,895 thousand in wastewater treatment licenses by the Consolidated Company during the year.
- Other assets decreased by \$402,570 thousand due to the reclassification of long-term receivables of \$426,943 thousand to other receivables as a result of the settlement reached with the owner of the " New Construction Project of Hushan Water Purification Plant ".
- Current liabilities increased by \$288,472 thousand, mainly due to the increase in revenue and therefore the estimated income tax liabilities increased by \$123,696 thousand; long-term liabilities due within one year increased by \$196,849 thousand, mainly because the bonds issued by the Company will mature in April 2022 and therefore were reclassified as bonds due within one year or one business cycle or sold back in April 110; short-term borrowings The decrease of \$143,065 thousand was due to the repayment of loans due in accordance with the contract.
- Non-current liabilities increased by \$76,218 thousand because the bonds issued by the Company amounting to \$249,755 thousand will mature in April 2022 and therefore the bonds payable were reclassified as bonds due within one year or one business cycle or sold back to the Company in April 2021. The increase of \$63,372 thousand in guarantee deposits was due to the fact that the Consolidated Company's contracts with raw

material suppliers stipulate that the amount of guarantee deposit is 10% of the purchase amount of the raw material ordered, and the demand for raw materials increased significantly in the current period, resulting in the difference between the two periods.

7. Retained earnings increased by \$385,186 thousand, mainly due to the operating profit of \$323,295 thousand in 2021.

8. Other equity decreased by \$7,801 thousand, mainly due to the impact of exchange losses on the translation of financial statements of foreign operating institutions due to changes in the exchange rates of RMB and USD.

9. The decrease in non-controlling interests of \$124,612 thousand was mainly due to the effect of the operating results of the subsidiaries in 2021 and the translation of the financial statements of foreign operating institutions into NTD.

2. Financial performance

Unit: NT\$ thousands

Year	2021	2020	Amount of increase (decrease)	Change ratio (%)	Description
Operating income	4,621,035	3,708,311	912,724	24.61	1
Operating Costs	3,552,571	2,866,660	685,911	23.93	1
Gross Profit	1,068,464	841,651	226,813	26.95	
Operating Expenses	472,657	474,835	(2,178)	(0.46)	
Business Benefits	595,807	366,816	228,991	62.43	
Non-operating income and expenses	(104,644)	(149,553)	44,909	(30.03)	2
Net income before tax	491,163	217,263	273,900	126.07	
Net income of continuing business units for the period	327,037	114,825	212,212	184.81	1
Loss of closed units	0	0	0	-	
Net profit for the period	327,037	114,825	212,212	184.81	
Other comprehensive income (net of tax) for the period	(12,244)	9,661	(21,905)	(226.74)	3
Total consolidated profit or loss for the period	314,793	124,486	190,307	152.87	
Net income attributable to owners of the parent company	448,367	125,071	323,296	258.49	
Net income (loss) attributable to noncontrolling interests	(121,330)	(10,246)	(111,084)	1084.17	
Total consolidated profit or loss attributable to owners of the parent company	439,405	125,499	313,906	250.13	
Total consolidated profit or loss attributable to noncontrolling interests	(124,612)	(1,013)	(123,599)	12201.28	

Analysis of the percentage change:

1. Operating revenues and operating costs increased by \$912,724 thousand and \$685,911 thousand, respectively, mainly due to the fact that the new construction projects started in the second quarter of 2020, while the excavation works had just started in the same period last year. As a result, gross profit and net profit from continuing operations for the period increased significantly compared to 2020.
2. The decrease in non-operating income and expenses of \$44,909 thousand was mainly due to a loss of approximately \$25,948 thousand on disposal of property, plant and equipment as the Consolidated Company disposed of old machinery and equipment such as gas stations. The difference between the two periods was due to the fact that there was no such event in the current period. The Company recorded an impairment loss of approximately \$89,421 thousand for property, plant and equipment, goodwill and intangible assets that showed signs of impairment last year, while the Consolidated Company estimated a loss of approximately \$10,014 thousand for litigation last year.
3. Other comprehensive income (net of tax) for the period decreased by \$21,905 thousand, mainly due to the exchange loss on translation of the financial statements of foreign operating institutions into Taiwan dollars as a result of changes in the exchange rates of RMB and USD.

3. Cash flows

(1) Analysis of changes in cash flows for the year

The net increase in cash of \$209,879 thousand in 2021 compared to 2020, and the changes in cash flows were as follows:

- (1) Operating activities: The net cash inflow of \$39,519 thousand was mainly due to a decrease in accounts receivable resulting in a cash inflow of \$197,487 thousand and a decrease in accounts payable resulting in a cash outflow of \$100,850 thousand.
- (2) Investing activities: Net cash outflow of \$158,433 thousand was mainly due to the increase in restricted assets, resulting in cash outflow of \$100,993 thousand.
- (3) Financing activities: The net cash inflow of \$343,821 thousand was mainly due to the net increase of \$340,964 thousand in the Company's long-term and short-term borrowings.
- (4) Cash decreased by \$15,028 thousand due to exchange rate changes.

(2) Cash flow analysis for the coming year

Unit: NT\$ thousands

Opening Cash Balance (1)	Expected to be in business throughout the year Net cash inflow (outflow) from activities (2)	Estimated full-year cash from investing activities Inflow (outflow) (3)	Estimated cash from fundraising activities for the year Inflow (outflow) (4)	Estimated remaining (shortfall) amount today (1)+(2)-(3)-(4)	Remedies for cash shortage
696,200	254,655	(293,101)	(122,242)	535,512	NA
Analysis of changes in cash flows for 2022. 1. Net cash inflow from operating activities is due to the expected profit in 2022. 2. The cash outflow from investing activities was mainly due to the increase in capital expenditure on property, plant and equipment in 2022. 3. The cash outflow from financing activities was mainly due to the repayment of the Consolidated Company's bank loan under the syndicated loan program.					

4. Impact of recent significant capital expenditures on financial operations: None.

5. The most recent investment policy, the main reasons for profit or loss, improvement plans and investment plans for the coming year.

Transfer of Investment	Transfer Amount	Policy	Main reasons for gain or loss	Improvement Plan	Investment plan for the coming year
KUO TOONG INTERNATIONAL LLC.	USD 680 thousand	Investment Companies	The loss of USD 944 thousand for the year was mainly due to the loss incurred from the Company's investment in Mavel Line Co., Ltd.	—	None

Transfer of Investment	Transfer Amount	Policy	Main reasons for gain or loss	Improvement Plan	Investment plan for the coming year
Siyu Seawater Desalination Co., Ltd.	117,000 thousand	Water supply operation, piping works, automatic control equipment works, machinery installation	The profit of \$1,469 thousand for the year was mainly due to the impairment loss of \$28,835 thousand recorded in 2020 and no impairment loss in 2021.	—	None
JIE MAO INTERNATIONAL CO., LTD.	109,000 thousand	Building materials wholesale, building materials retail, international trade and machinery wholesale	The loss of \$6,448 thousand for the year was mainly due to the loss incurred from the Company's investment in Kuo Chuang Engineering Co.	—	None
Kuo Chuang Engineering Co., Ltd.	60,000 thousand	Water distribution and operation project	The loss of \$6,427,000 for the year was mainly due to a decrease in the gross profit of the project as a result of a reduction in the number of material tenders awarded.	Save money and reduce operating costs.	None
TING TENG CO., LTD.	1,363,692 thousand	Expansion of sewerage and sewage treatment plant business	The profit of \$131,211 thousand for the year was mainly due to the income generated from the Company's investment in Kuo Yang Environmental Technology (Co., Ltd.).	—	None
KUO YANG ENVIRONMENT TECHNOLOGY CO.	2,697,221 thousand	Expansion of sewerage and sewage treatment plant business	The profit of \$131,048 thousand for the year was mainly due to income of \$166,383 thousand from price adjustment and interest on long-term construction receivables.	—	None
KUO HSIN TECHNOLOGY CO., LTD.	316,500 thousand	Manufacture of chemical materials and water supply operations	The loss for the year was \$12,282 thousand. Although revenue increased compared to FY109, revenue was not as expected due to the lack of market economics of the products, and after deducting the necessary fixed costs, the loss was still incurred.	We are committed to developing chemical materials and expanding sales channels.	None
Chien Yi Construction Co., Ltd.	174,235 thousand	Construction, dredging, sand and gravel, silt disposal, etc.	The loss of \$10,178,000 for the year was mainly due to the decrease in gross profit as a result of the reduction in the number of projects contracted by the Company.	Proactively prepare bids to obtain projects and reduce operating costs by cutting expenses	None
MARVEL LINE CO., LTD.	USD 24,081 thousand	Investment Companies	The loss of RMB6,130 thousand for the year was mainly due to a loss of RMB8,555 thousand from the Company's investment in Xiamen Guoxin Century Technology Co., Ltd. and interest income of RMB2,423 thousand from the estimated capital loan to related parties.	—	None
Xiamen Guoxin Century Technology Co., Ltd.	RMB 91,000 thousand	Design, development, manufacture and wholesale of equipment and materials for desalination and wastewater treatment projects	The loss of RMB9,401,000 for the year was mainly due to a loss of RMB10,495,000 arising from the Company's investment in Fujian Taiming Pipe Casting Technology Co..	Save money and reduce operating costs.	None
Fujian Taiming Pipe Casting Technology Co.	RMB 192,500 thousand	Manufacturing of metal structures, building decoration and plumbing parts, development and manufacturing of ductile iron pipes, various water, sewage and gas pipes and their shaped fittings and accessories, manufacturing of various precision cast	The loss of RMB91,819,000 for the year was mainly due to the increase in procurement costs as a result of the impact of the epidemic and the inability to adjust the sales unit price, as the order contracts were all entered into in previous years.	Save money and reduce operating costs.	None

Transfer of Investment	Transfer Amount	Policy	Main reasons for gain or loss	Improvement Plan	Investment plan for the coming year
		iron products			
Fujian Taiming Trading Co., Ltd.	RMB 5,000 thousand	Wholesale of machinery and equipment, building materials, chemical products; trade brokerage and agency; import and export of various commodities and technologies	The loss of RMB3,280,000 for the year was mainly due to the increase of RMB2,254,000 in the number of sales staff employed for the expansion of sales channels.	(1) We are committed to expanding the sales channel of tubes. (2) Save money and reduce operating costs.	None
Linwu Taiming Tube Casting Technology Co.	Note 2	Research and development, manufacture and wholesale of ductile iron pipes and their shaped fittings, various precision casting products, metal structures and chemical pipes	The loss of RMB 3,139,000 for the year was mainly due to a reduction in gross profit from the sale of pipes as a result of the payment of RMB4,267,000 for the transportation and sales of pipes and RMB 4,059,000 for the sale of pipes to expand sales channels.	(1) We are committed to expanding standardized pipe access. (2) Save expenses and reduce operating costs.	None

6. Risk management and evaluation

1. The impact of interest rates, exchange rate changes and inflation on the Company's profit and loss and future measures.

(1) The effect of changes in interest rates, exchange rates and inflation on the Company's profit or loss in the most recent year.

①The Company's interest rate risk mainly arises from bank borrowings. The Company's current strategy is to closely liaise with banks and use financial instruments in a conservative and prudent manner to reduce the risk of interest rate changes.

②Since the Company's customers are mainly domestic customers and the purchase of raw materials is mainly from domestic manufacturers, the risk of exchange rate fluctuations has limited impact on the Company's operations.

③The Company is mainly engaged in contracting public works and desalination. If the market inflation is too large, the owner will pay price adjustment subsidies according to the contract, so the impact of market inflation on the Company's profit and loss is limited.

(2) The Company's measures in response to future interest rate, exchange rate changes, and inflation scenarios.

We collect information on interest rates, exchange rates and domestic price fluctuations, and keep abreast of the development trends of financial instruments in the market so that we can take appropriate measures in a timely manner to respond to the possible impact on the Company.

2. The Company's policy on engaging in high-risk, highly leveraged investments, lending of funds to others, endorsement of guarantees and derivative transactions, the main reasons for profit or loss, and future measures to address them.

The Company does not engage in high-risk, highly leveraged investments. The lending of funds to others, endorsement and guarantee, and derivative transactions are conducted in accordance with the policies and measures set forth in the Company's "Procedures for the Acquisition or Disposal of Assets," "Procedures for the Lending of Funds to Others," and "Procedures for the Handling of Endorsements and Guarantees."

3. Future research and development plans and estimated research and development costs.

(1) Future R&D plans.

- ①The outer surface of the cast pipe is sprayed with galvanized anti-corrosion treatment.
- ②5000~10000CMD large scale desalination equipment design and development and production of 5000CMD high pressure pumping equipment.
- (2) Estimated R&D expenses: The Company's estimated R&D expenses for 2022.
 - ①The outer surface of the cast pipe with galvanized anti-corrosion treatment is about NT\$5,100,000.
 - ②5000~10000CMD large desalination equipment R & D design and R & D production 5000CMD high pressure pumping equipment is about NT\$7,200,000.
- 4. The impact of significant domestic and foreign policy and legal changes on the Company's financial operations and the measures to address them.

The Company complies with the relevant laws and regulations set by the competent authorities, and is always aware of the changes in the relevant laws and regulations, therefore, the Company's external disclosure and reporting practices are in compliance with the regulations. As of the printing date of the annual reports for the years ended December 31, 2020 and 2021, the Company's financial operations were not affected by the changes in relevant laws and regulations.
- 5. Impact of technological changes and industry changes on the Company's financial operations and measures to address them: None.
- 6. The impact of corporate image change on corporate crisis management and response measures.

The Company maintains an excellent image and has not changed significantly.
- 7. Expected benefits, possible risks and responses to mergers and acquisitions.

The Company currently has no plans for mergers and acquisitions.
- 8. Expected benefits, possible risks and countermeasures of plant expansion.

The evaluation process for plant expansion is rigorous and includes market demand analysis, potential customer consultation, competitive analysis, payback period, investment efficiency, financial planning, production plan, sales plan, etc., in order to reduce the risk of plant expansion.
- 9. Risks associated with the concentration of imports or sales and measures to address them.

The Company's major sales customers in 2021 were the Southern Region Water Resources Bureau of the Ministry of Economic Affairs and Chung Hwa Engineering Co. with the proportionate share of the total sales of 19.13% and 11.05% for its contracted work and sales of pipes. The Company's main sources of revenue can be divided into pipe sales, contracting and marine water, of which pipe contracting is mostly for public works such as water distribution systems, water conveyance systems, industrial area water diversion systems, sewage and storm sewer systems, etc. In the future, in addition to participating in various water resources public projects promoted by the government, the Company will also actively develop new customers in order to reduce the risk of sales concentration.
- 10. The impact, risk and response measures on the Company due to the substantial transfer or replacement of the shareholding of directors or major shareholders holding more than 10% of the shares: None.
- 11. Impact of the change in management rights on the Company, risks and measures to address them: none.
- 12. Litigation or non-litigation events.

There are no material litigation, non-litigation or administrative proceedings against the Company, its directors, president, persons-in-charge, substantial shareholders holding more than 10% of the shares, or its subsidiaries.
- 13. Other important risks and measures in response: none.

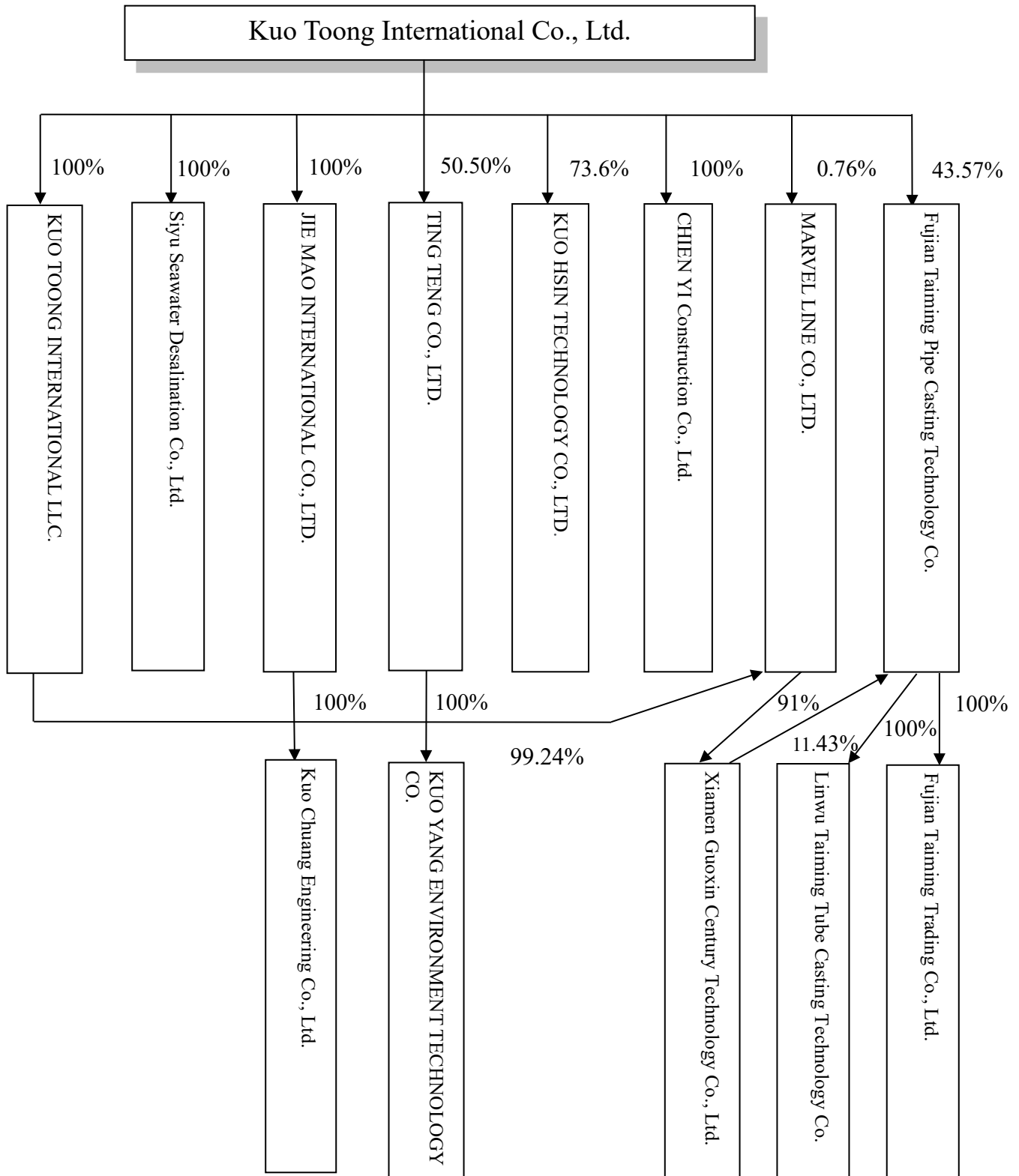
7. Other important matters: None.

VIII. Special Disclosures

1. Related information of affiliated companies Related information of affiliated companies

(1) Report on Consolidated Operations of Affiliated Companies

1. Relationship with the enterprise map



2. Basic information of each affiliated company

Company Name	Date of Establishment	Address	Paid-in capital	Our Company Investment amount	Shareholding ratio	Main business or production items
KUO TOONG INTERNATIONAL LLC.	December 21, 1999	113 Barksdale Professional Center in the City of Newark, County of New Castle	US 680,000	US 680,000	100%	Investment Companies
Siyu Seawater Desalination Co., Ltd.	December 2005	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 88,000,000	New Taiwan Dollar 88,000,000	100%	Water supply operation, piping works, automatic control equipment works, machinery installation, etc.
CHIEN YI Construction Co., Ltd.	February 1982	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 170,000,000	New Taiwan Dollar 170,000,000	100%	Camping, dredging, sand and gravel, silt disposal, etc.
KUO HSIN TECHNOLOGY CO., LTD.	December 2010	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 430,000,000	New Taiwan Dollar 316,500,000	73.60%	Manufacture and sale of precision chemicals, other chemicals, water supply, electrical appliance installation, and spare parts
JIE MAO INTERNATIONAL CO., LTD.	November 2001	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 109,000,000	New Taiwan Dollar 109,000,000	100%	Building materials wholesale, building materials retail, hardware wholesale, hardware retail, international trade, machinery wholesale, machinery apparatus retail
Kuo Chuang Engineering Co., Ltd.	April 2009	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 60,000,000	New Taiwan Dollar 60,000,000	100%	Manufacture and sale of various pre-stressed concrete pipes, straight steel pipes, pushed steel pipes, various cement products and parts, and installation of various water pipes and parts
Marvel Line Co., Ltd.	March 15, 2012	Le Sanalele Complex, Ground Floor, Vaea Street, Saleufi, PO Box 1868, Apia, Samoa	US \$24,080,699	US \$24,080,699	100%	Investment Companies
Xiamen Guoxin Century Technology Co., Ltd.	November 30, 2012	Room 107, No. 2999, Dongfu Avenue, Haicang District, Xiamen City	RMB 100,000,000	RMB 91,000,000	91%	Design, development, manufacture and wholesale of equipment and materials for desalination and wastewater treatment projects
TING TENG CO., LTD.	January 2016	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 1,503,440,000	New Taiwan Dollar 759,247,000	50.50%	Energy technology services, water supply operations, machinery, equipment manufacturing and installation, and other environmental sanitation and pollution prevention services
KUO YANG ENVIRONMENT TECHNOLOGY CO.	March 2009	Zhunan Township, Miaoli County, Taiwan	New Taiwan Dollar 2,319,105,000	New Taiwan Dollar 2,319,105,000	100%	Piping project, waste (sewage) water treatment, mechanical installation
Fujian Taiming Pipe Casting Technology Co.	June 12, 2014	Fujian Meili Economic Development Zone Xiaojiao Industrial Park	RMB 350,000,000	RMB 192,500,000	55%	Metal structure manufacturing, building decoration and plumbing parts manufacturing, ductile iron pipes, various water, sewage and gas pipes and their shaped fittings and accessories development and manufacturing of various precision cast iron products.
Fujian Taiming Trading Co., Ltd.	February 2016	Fujian Meili Economic Development Zone Xiaojiao Industrial Park	RMB 5,000,000	RMB 5,000,000	100%	Wholesale of machinery and equipment, building materials, chemical products; trade brokerage and agency; import and export of various commodities and technologies.
Linwu Taiming Tube Casting Technology Co.	May 2018	Next to Xiangneng Heavy Industry Company, Industrial Road, Industrial Park, Linwu County, Hunan Province	Note 1	Note 1	100%	Research and development, manufacture and wholesale of ductile iron pipes and their shaped fittings, various precision casting products, metal structures and chemical pipes.

Note 1: Fujian Taiming Pipe Casting Technology Co., Ltd. has not yet remitted the investment amount as of Dec. 31, 2020.

Note 2: If the affiliated company is a foreign company, the name and address are in English, the date of establishment is also expressed in Western dollars, and the paid-in capital is expressed in foreign currency (please refer to 6.)

3. Information on the same shareholders who are presumed to be in a controlling or subordinate relationship: None.

4. Description of the business operations of all affiliated companies

Company Name	Businesses covered by operations	Businesses that are related to each other Past division of labor
Kuo Toong International Co., Ltd.	Manufacture and sale of various pre-stressed concrete pipes, straight steel pipes, pushed steel pipes, ductile iron pipes, and various cement products, as well as the installation and burial of water pipes and desalination treatment.	Contracting of Guoyang and Jianyi projects; sale of pipes to Guotron
KUO TOONG INTERNATIONAL LLC.	Investment Company.	None
Siyu Seawater Desalination Co., Ltd.	Water supply operation, piping works, automatic control equipment works, machinery installation, etc.	None
JIE MAO INTERNATIONAL CO., LTD.	Building materials wholesale, building materials retail, hardware wholesale, hardware retail, international trade, machinery wholesale, machinery apparatus retail.	None
KUO YANG ENVIRONMENT TECHNOLOGY CO.	Piping works, waste (sewage) water treatment, mechanical installation.	Commissioning of the National Unification Project
KUO HSIN TECHNOLOGY CO., LTD.	Manufacture of precision chemical materials and other chemical materials, and operation of tap water.	None
Kuo Chuang Engineering Co., Ltd.	We manufacture and sell all kinds of pre-stressed concrete pipes, straight steel pipes, push-in steel pipes, various cement products, parts and components, and install and install all kinds of water pipes and parts.	Procurement of pipes from the National System
CHIEN YI Construction Co., Ltd.	The business of camping, dredging, sand and gravel, silt dumping, etc.	Commissioning of the National Unification Project
KUO HSIN TECHNOLOGY CO., LTD.	Manufacture of precision chemical materials and other chemical materials, and operation of tap water.	None
MARVEL LINE CO., LTD.	Investment Company.	None
Xiamen Guoxin Century Technology Co., Ltd.	Design, development, manufacture and wholesale of equipment and materials for desalination and wastewater treatment projects.	None
Fujian Taiming Pipe Casting Technology Co.	Metal structure manufacturing, building decoration and plumbing parts manufacturing, ductile iron pipes, various water, sewage and gas pipes and their shaped fittings and accessories development and manufacturing of various precision cast iron products.	Sale of pipes to Taiming Trading, Linwu Taiming
Fujian Taiming Trading Co., Ltd.	Wholesale of machinery and equipment, building materials, chemical products; trade brokerage and agency; import and export of various commodities and technologies.	Procurement of tubes for Xiangtai Ming casting
Linwu Taiming Tube Casting Technology Co.	Research and development, manufacture and wholesale of ductile iron pipes and their shaped fittings, various precision casting products, metal structures and chemical pipes.	Procurement of tubes for Xiangtai Ming casting

5. Information on directors, supervisors and general managers of affiliated companies

Name of Company	Position	Name or representative (Note 1)	Shareholdings (Note 2)	
			Number of shares (10 thousand shares)	Shareholding (%)
KUO TOONG INTERNATIONAL LLC.	Chairperson	HUNG, YA-MAN	0	0
	Supervisor	None	0	0
	President	None	0	0
Siyu Seawater Desalination Co., Ltd.	Chairperson	HUNG, YA-MAN	0	0
	Director	FU, HSUEH-JEN	0	0
	Director	HSIEH, MING-HSIU	0	0
	Supervisor	YANG, YU-CHENG	0	0
	President	None	0	0
JIE MAO INTERNATIONAL CO., LTD.	Chairperson	DU, GUAN-CHEN	0	0
	Director	HUNG, YA-MAN	0	0
	Director	SU, CHIU-HE	0	0
	Supervisor	YANG, YU-CHENG	0	0
	President	None	0	0
KUO YANG ENVIRONMENT TECHNOLOGY CO.	Chairperson	HUNG, YA-MAN	0	0
	Director	CHEN, NIEN	0	0
	Director	CHEN, CHUN-CHENG	0	0
	Supervisor	DU, GUAN-CHEN	0	0
	Supervisor	HSU, BO-SEN	0	0
	President	None	0	0
KUO HSIN TECHNOLOGY CO., LTD.	Chairperson	DU, GUAN-CHEN	0	0
	Director	HUNG, YA-MAN	0	0
	Director	FU, HSUEH-JEN	219	5.09
	Director	CHANG, REN-HONG	3	0.07
	Director	SU, CHIU-HE	1.5	0.03
	Supervisor	HUANG, WEN-HUI	0	0
	President	None	0	0
Kuo Chuang Engineering Co., Ltd.	Chairperson	DU, GUAN-CHEN	0	0
	Director	CHANG, REN-HONG	0	0
	Director	YANG, YU-CHENG	0	0
	Supervisor	HSIEH, MING-HSIU	0	0
	President	None	0	0
Chien Yi Construction Co., Ltd.	Chairperson	YANG, YON-FU	0	0
	Director	HUNG, YA-MAN	0	0
	Director	FU, HSUEH-JEN	0	0
	Supervisor	HSIEH, MING-HSIU	0	0
	President	None	0	0
TING TENG CO., LTD.	Chairperson	HUNG, YA-MAN	0	0
	Director	CHEN, CHUN-CHENG	0	0
	Director	CHEN, NIEN	0	0
	Supervisor	DU, GUAN-CHEN	0	0
	Supervisor	HSU, BO-SEN	0	0
	President	None	0	0
Mavel Line Co., Ltd.	Chairperson	HUNG, YA-MAN	0	0
	Supervisor	None	0	0
	President	None	0	0
Xiamen Guoxin Century Technology Co., Ltd.	Chairperson	YEH, CHIN-CHENG (to be determined)	0	0
	Director	FU, HSUEH-JEN	0	0
	Director	LIANG, WEN-YI	0	0

Name of Company	Position	Name or representative (Note 1)	Shareholdings (Note 2)	
			Number of shares (10 thousand shares)	Shareholding (%)
	Director	HSIEH, CHANG-YEN	0	0
	Director	FENG, CHI-HUA	0	0
	Supervisor	TSAI, HSIU-HUA (to be determined)	0	0
	Supervisor	CHEN, JIN-CHU	0	0
	Supervisor	LEE, JIN	0	0
	President	FU, HSUEH-JEN	0	0
Fujian Taiming Pipe Casting Technology Co.	Chairperson	FU, HSUEH-JEN	1,582	4.52
	Director	LIANG, CHIA-YUAN	0	0
	Director	YEH, CHIN-CHENG (to be determined)	0	0
	Director	TAN, MING	0	0
	Director	CHENG, KAI-CHUN	0	0
	Supervisor	TSAI, HSIU-HUA (to be determined)	0	0
	Supervisor	HSIEH, CHANG-YEN	0	0
	Supervisor	HU, HONG-LIN	0	0
	President	None	0	0
Fujian Taiming Trading Co., Ltd.	Chairperson	FU, HSUEH-JEN	0	0
	Director	None	0	0
	Supervisor	CHANG, HUI	0	0
	President	FU, HSUEH-JEN	0	0
Linwu Taiming Tube Casting Technology Co.	Chairman	FU, HSUEH-JEN	0	0
	Directors	None	0	0
	Supervisor	WANG, CHENG-MIN	0	0
	General Manager	FU, HSUEH-JEN	0	0

Note 1: If the affiliated company is a foreign company, the equivalent position is listed.

Note 2: If the affiliated company is not a limited company, fill in the amount of capital and the percentage of capital contribution.

6. Overview of the operations of each affiliated company

Company Name	Paid-in capital	Total Asset Value	Total liabilities	Net value	Operating income	Business Benefits	Unit: NT\$ thousands	
							Profit or loss for the period (after tax)	Earnings per share (After tax)(NT\$)
Kuo Toong International Co., Ltd.	2,480,782	7,477,199	2,676,166	4,801,033	2,346,646	714,364	448,367	1.81
KUO TOONG INTERNATIONAL LLC.	23,625	619,493	-	619,493	-	-37	-26,440	-
Siyu Seawater Desalination Co., Ltd.	117,000	45,579	1,792	43,787	13,915	1,502	1,469	0.13
CHIEN YI Construction Co., Ltd.	170,000	147,224	8,680	138,544	7,653	-3,509	-10,108	-0.59
KUO HSIN TECHNOLOGY CO., LTD.	430,000	84,308	4,471	79,837	6,487	-9,868	-12,282	-0.29
JIE MAO INTERNATIONAL CO., LTD.	109,001	63,274	10	63,264	-	-13	-6,448	-0.59
Kuo Chuang Engineering Co., Ltd.	60,000	249,762	186,673	63,089	188,400	-7,635	-6,427	-1.07
TING TENG CO., LTD.	1,627,742	3,136,766	1,518	3,135,248	-	-1,606	131,211	0.81
KUO YANG ENVIRONMENT TECHNOLOGY CO.	2,441,949	5,987,912	2,856,918	3,130,994	659,631	164,210	131,048	0.54
MARVEL LINE CO., LTD.	736,671	624,313	216	624,097	-	-	-26,610	-1.11
Xiamen Guoxin Century Technology Co., Ltd.	480,800	710,194	396,730	313,464	-	-2,160	-40,809	-0.41
Fujian Taiming Pipe Casting Technology Co.	1,644,467	3,357,507	2,600,486	757,022	1,860,475	-264,900	-398,586	-1.14
Fujian Taiming Trading Co., Ltd.	21,910	3,636	41,397	-37,761	117,663	-14,240	-14,237	-
Linwu Taiming Tube Casting Technology Co.	-	41,440	58,962	-17,522	265,367	-13,732	-13,268	-

(2) Consolidated financial statements of affiliated companies: Please refer to Page 104-292 of this annual report.

2. Private placement of marketable securities for the most recent year and up to the date of printing of the annual report: None

3. Holdings or dispositions of the Company's shares by subsidiaries for the most recent year and as of the date of the annual report: None.

4. Other necessary supplementary notes: None.

5. Significant differences from the regulations on the protection of shareholders' rights and interests in R.O.C.: None.

9. For the most recent year and as of the printing date of the annual report, if any of the events specified in Paragraph 2 of Article 36 of the Act occurred that had a material effect on shareholders' equity or the price of securities: None.

Kuo Toong International Co., Ltd.

Chairperson: HUNG, YA-MAN

Printed on May 20, 2022