



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

**Stock Code: 8936**

**KUO TOONG INTERNATIONAL CO., LTD.**

# **2022 Annual Report**

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

Published on May 22, 2023

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

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## **I. Letter to Shareholders**

### **1. 2022 Business Report**

In terms of the sustainable management of the associates. In 2022, the ESG corporate sustainability and the greenhouse gas inventory report were completed and verified by a third-party for the first time. In 2022, because of the acquisition of the "Water Resources Utilization Model Factory Construction Plan for the Tidal section of Zeng Wenxi River", it was invested in the government's water source development plan, and it was committed to strengthening the talent reserve and cultivation of engineering management capabilities. In addition to the projects already underway in 2022, various engineering bids won a total of about NT\$6 billion, which will overflow into future revenue.

In 2022, consolidated net operating income were NT\$3,791,723 thousand, a decreased of NT\$829,312 thousand compared to the NT\$4,621,035 thousand in 2021, representing a 17.95% decrease consolidated revenue. The main reason is that the Company no longer has control over its subsidiary, Fujian Taiming Casting Pipe Co., Ltd. from May 5, 2022. Besides, the Company's revenue will no longer be consolidated and recognized from this point onwards; In 2022, consolidated gross profit increased by NT\$36,320 thousand to NT\$1,104,784 thousand compared with the consolidated gross profit in 2021 which shows at NT\$1,068,464 thousand, and the operating gross profit margin of 2022 was 29% increased by 6% compared to 23% in 2021.

Consolidated operating expenses in 2022 were NT\$304,601 thousand, a decrease of NT\$168,056 thousand from NT\$472,657 thousand in 2021. Consolidated operating gross profit for the current period was NT\$1,104,784 thousand. After deducting the consolidated operating expenses of NT\$304,601 thousand, the consolidated operating profit was NT\$800,183 thousand, an increase of NT\$204,376 thousand compared to the consolidated operating profit of NT\$595,807 thousand in 2021.

The consolidated net non-operating income of NT\$30,914 thousand in 2022 decrease by NT\$135,558 thousand compared to the consolidated net non-operating expense of NT\$104,644 thousand in 2021, The decrease is mainly due to the disposal of investment gain of approximately NT\$233,342 thousand resulting from the loss of control over Fujian Taiming Casting Pipe Technology Co., Ltd. in 2022.

Based on the above-mentioned, consolidated operating profit in 2022 is NT\$800,183 thousand combined with consolidated non-operating net income of NT\$30,914 thousand, consolidated pre-tax net profit of NT\$831,097 thousand, deducted with consolidated income tax expenses of NT\$209,095 thousand, after-tax net profit of NT\$622,002 thousand, resulting in a net profit after tax of NT\$625,146 thousand which was attributable to the parent company.

(1)Business Plan Implementation Results

Unit: NT\$thousands

Item \ Year	2022	2021	Increase/Decrease	
			Amount	%
Net Operating Income	3,791,723	4,621,035	(829,312)	(17.95)
Operating Costs	(2,686,939)	(3,552,571)	(865,632)	(24.37)
Gross Profit	1,104,784	1,068,464	36,320	3.40
Operating Expenses	(304,601)	(472,657)	(168,056)	(35.56)
Net Income	800,183	595,807	204,376	34.30
Non-operating income and expenses	30,914	(104,644)	135,558	(129.54)
Net income before tax	831,097	491,163	339,934	69.21
Net income for the period	622,002	327,037	294,965	90.19
Net income attributable to owners of the parent company	625,146	448,367	176,779	39.43

(2) Income and Expenses

Unit: NT\$thousands

Item	2022	2021
Net cash flows (out) from operating activities	354,466	104,952
Net cash flows (out) from investing activities	(227,362)	(158,433)
Net cash flows (out) from financing activities	101,218	278,388
Effect of exchange rate changes on cash and	41,374	(15,028)
Net increase (decrease) in cash	269,696	209,879
Cash and cash equivalents at beginning of period	696,200	486,321
Cash and cash equivalents at the end of the period	965,896	696,200

(3)Profitability Analysis

Unit: NT\$thousands

Item		2022	2021
Return on Assets (%)		5.45	3.13
Return on equity (%)		9.05	4.94
	Operating Income	32.26	24.02

Ratio of paid-in capital	Net income before	33.50	19.80
Net Profit Rate (%)		16.40	7.08
EPS (Yuan)		2.52	1.81

(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. 2023 Business Plan Summary and Future Development Strategy

1) The Company's operations in 2023 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 -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, and reservoir dredging. Cooperate with the Water Conservancy Department to promote the "String of Pearls Project" and other related water conservancy public projects. With its own advantages in the production of DIP and SP pipes, combined with the professional construction of pipeline engineering, it provides a multi-faceted development of complete water resource solutions. In addition to clean water from Sheung Shui Siltation, water distribution (pipelines), water purification (water filtration system), water production (seawater desalination), wastewater disposal, reclaimed water recycling, etc. Under the influence of extreme weather, the typhoons in Taiwan have decreased in recent years, resulting in a decrease in rainfall. Moreover, the rainfall is uneven in the north, central and south, so the development of water sources is becoming more and more important. In terms of water source development, the company has obtained the construction plan of the water resource utilization model factory in the tidal section of Zeng Wenxi, we cooperated with the government to develop new water sources, becoming a professional manufacturer in water resource development.

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

**Chairperson and President:** Hong, 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 installation of concrete products.
1979	Jan	Cash capital increased by NT\$7 million, with a paid-in capital of NT\$9 million for the purchase of piping equipment.
1979	Mar	Cash capital increased by NT\$9 million and paid-in capital increased to NT\$18 million for the purchase of land in Xinyuan Township and the construction of factory buildings. 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 steel joint for jacking method in reinforced concrete pipe for sewerage (JCP joint).
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 $\phi$ 2000mm 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\$21.6 million and paid-in capital increased to NT\$93.6 million for the purchase of office space in Kaohsiung.
1997	Aug	The government cooperate with 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 and Commercial 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, 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

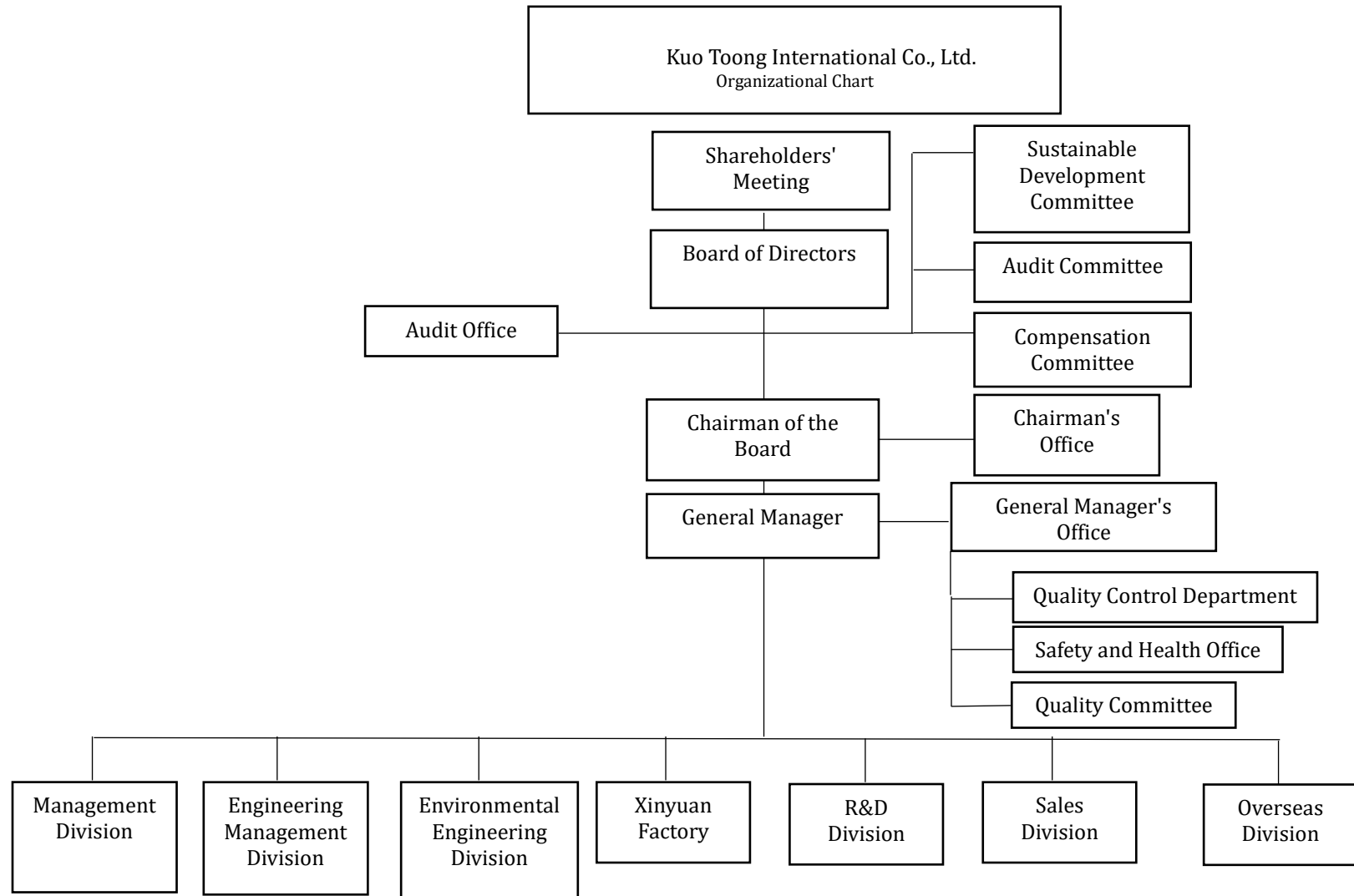
		capitalization of employee bonus by NT\$1,365,000, resulting in a capital of NT\$318 million.
2002	Mar	The Company applied to Taipei Exchange for the listing of its shares on the OTC market.
2002	May	The board of directors of Taipei Exchange approved the listing of the Company's shares on the OTC market.
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).
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 Xiyu Desalination Co., Ltd. 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.
2008	Jan	The Company's China-based investee, Xinjiang Kuo Toong Pipeline Co, Ltd. 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.
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.
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.
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.
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.
2012	Aug	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.
2013	May	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	Aug	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.
2013	Nov	The convertible bonds were converted into 11,029,413 ordinary shares, resulting in a total of 184,804,573 issued shares and a paid capital of NT\$1,848,045,730.
2014	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 Casting Pipe Technology Co., Ltd.
2014	Feb	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	Jan	Issued the fourth domestic secured convertible bond for a total of NT\$600 million.
2015	Nov	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 NT\$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) Plans and oversees various operations of corporate governance.
    - (4) 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
    - (2) Handling of company-related equity affairs
    - (3) Operation and proceedings of the Audit Committee and Board of Directors.
    - (4) Management of personnel regulations and systems, recruitment and appointment, compensation management, labor health and retirement, organizational development, education and training, and labor relations-related matters.
    - (5) Purchases bulk raw materials and fixed assets with contract management.
    - (6) Analyzes accounts and accounting, manages by exception operational irregularities.
    - (7) Financial fund allocation and management.
    - (8) Integration of information systems, information security training and maintenance, server management and maintenance.
  5. Engineering Management Division:
    - (1) Evaluation of relevant engineering contracts and supervision of construction management.
    - (2) Pipeline business development, expansion and planning.
    - (3) Comprehensive management of engineering quotation, contracts, procurement, quality, schedule, cost, construction, contracting, and bidding operations.
    - (4) Cost control, auditing of construction quality, and evaluation of construction methods and accounting management results.
    - (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) Management of on-site personnel deployment.
  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. Xinyuan 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) Management of on-site personnel deployment.

## 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., Ltd.	-	2022.06.09	3Y	2019.06.12	7,674,224	3.09%	11,000,224	4.43%	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: HONG, YA-MAN	F 51-60	2022.06.09	3Y	2019.06.12	19,261	0.00%	19,261	0.01%	0	0.00%	0	0.00%	NKUST Master of Civil Engineering and Disaster Prevention Technology	Kuo Toong International Co., Ltd./ Chairperson KUO TOONG INT LLC/ Chairperson Xiyu Seawater Desalination Co. Ltd./ Chairperson Jie Mao International Co. Ltd./ Director Kuo Yang Environment Technology Co. Ltd. /Chairperson MARVEL LINE CO.,LTD/ Chairperson Ting Teng Co. Ltd./ Chairperson Tong Chuang Co., Ltd/ Chairperson	None	None	None	(Note1)
Director	ROC	Tong Chuang Co., Ltd.	-	2022.06.09	3Y	2019.06.12	7,674,224	3.09%	11,000,224	4.43%	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: LO, WEI-TZE	M 41-50	2022.06.09	3Y	2020.11.16	0	0.00%	0	0.00%	14,000	0.01%	0	0.00%	NTU College of Accounting MA Experience: Assistant Director of the Audit Department of Qinye Zhongxin United Accounting Firm	Legendary & Steadfast Accountancy(LSA)/Managing CPA Chinen Management Consulting Co., Ltd./ Principal Guanzhe Management Consulting Co., Ltd./ Principal Hongo Precision Textile Co., Ltd. /Independent Director	None	None	None	-
	ROC	Rept: KAO, FENG-CHI (Note 3)	M 51-60	2022.06.09	3Y	2021.06.17	0	0.00%	Non-applicable	-	Non-applicable	-	Non-applicable	-	NTU College of Laws Experience: Chief Prosecutor, Kaohsiung District Prosecutor's Office Prosecutor at Tainan District Prosecutor's Office	Cheng Feng Law Firm/Managing Lawyer	None	None	None	-
	ROC	Rept.: PAN-REN-ZHI	M 61-70	2022.06.09	3Y	2022.06.09	0	0.00%	0	0.00%	0	0.00%	0	0.00%	NCHU college of Finance and Taxation Experience: Former Chief Secretary, Kaohsiung National Taxation Bureau (Ministry of Finance)	-	None	None	None	-
	ROC	Rept: SHI, QCHIN-ZANG (Note 3)	M 71-80	2022.06.09	3Y	2022.06.09	20,000	0.01%	Non-applicable	-	Non-applicable	-	Non-applicable	-	NCHU major in Soil and Water Conservation Experience: Director of the Southern District Water Resources Bureau of the Water Conservancy Administration of the Ministry of Economic Affairs (second term)	Chien Yi Construction Co., Ltd. /Technician	None	None	None	-
	ROC	Rept: ZHOU, HUANG-TSAN	M 61-70	2022.06.09	3Y	2022.06.09	0	0.00%	0	0.00%	0	0.00%	0	0.00%	NTUST college of construction Engineering PhD Experience: Director of the Construction Engineering Department at Cheng Shiu University	Taiwan Construction Engineering Association (TCEA) /Conference Consultant	None	None	None	-

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	
Director	ROC	Lien Chuang INC. (Note 2)	-	2021.09.23	0.75Y	2021.09.23	787,000	0.32%	Non-applicable	-	-	-	-	-	-	-	None	None	None	-
	ROC	Rept: TSAL, TSON-LUN (Note 2)	M 41-50	2021.09.23	0.75Y	2021.09.23	0	0.00%	Non-applicable	-	Non-applicable	-	Non-applicable	-	TKU Department of Southeast Asian Studies MA	Koryo Co., Ltd. /Independent Director	None	None	None	-
	ROC	Rept: WANG, SHU-HUAN (Note 2)	F 31-40	2021.09.23	0.75Y	2020.05.05	0	0.00%	Non-applicable	-	Non-applicable	-	Non-applicable	-	Cheng Shiu University Department of Finance BA	Lian Ting Construction Co., Ltd./Financial Manager	None	None	None	-
Independent Director	ROC	KUO, CHIN-BAO (Note 2)	M 51-60	2019.06.12	3Y	2019.06.12	0	0.00%	Non-applicable	-	Non-applicable	-	Non-applicable	-	J.D., East China University of Political Science and Law	Legalway Law Firm/ Director Sunfar Computer Co., Ltd./Independent Director	None	None	None	-
Independent Director	ROC	WANG, SEN-RONG	M 51-60	2022.06.09	3Y	2019.06.12	0	0.00%	3,000	0.00%	17,303	0.01%	0	0.00%	J.D., China University of Political Science and Law PhD Experience: Former prosecutor at Kaohsiung and Tainan Distric Prosecutor's Office	Jing Dien Law Firm/ Managing Lawyer Biopkic Technology, Co., Ltd. /Director Taiwan Tea Co., Ltd./ Independent Director Xxentria Technology Materials Co., Ltd. /Independent Director	None	None	None	-
Independent Director	ROC	CHENG, SHUN-REN	M 51-60	2022.06.09	3Y	2021.09.23	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Manuel L.Q University PhD CHong Hua University Graduate School of Tech. Management, PHD Program	Cheng Shiu University/ Vice President Top High Image Corp. /Independent Director Nan Ren Lake Leisure Amusement Co., Ltd. /Independent Director	None	None	None	-
Independent Director	ROC	WU, YAN-CHIU	F 61-70	2022.06.09	3Y	2022.06.09	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Private Jingyi Women's Liberal Arts College Department of Business Experience: Take Well Engineering INC. Vice president Yiao-Wen International Co., Ltd. Chief of Finance	EJIA Biotechnology Inc/ Consultant and Supervisor Axis corporation Co., Ltd./ ndependent Director	None	None	None	-

Note 1: If the chairman of the company and the president or equivalent (top manager) are the same person, spouses or first-degree relatives, the reason, rationality, necessity and countermeasures (such as increasing the number of independent directors), and there should be relevant information that more than half of the directors do not concurrently serve as employees or managers), the information is as follows:

The chairman of the company concurrently serves as the president, mainly because the current flat management is adopted to improve management efficiency and decision-making execution, and plans to increase the number of independent directors by one seat this year (2023), to enhance the functions of the board of directors and strengthen the supervision function.

Note 2: Dismissed on June 9, 2022 when the term of office expires.

Note 3: In response to the measures mentioned in Note 1 and to strengthen corporate governance, the legal entity director resigned on February 24, 2023.



2. Major shareholders of the institutional shareholders:

Apr. 23, 2023

Name of Institutional Shareholders	Major Shareholders
Tong Chuang Co., Ltd.	Zhou Ting Property Co., Ltd. (99.99%)

3. Major stock in the region:

Name of Institutional Shareholders	Major Shareholders
Zhou Ting Property Co., Ltd.	Zhou Ting Enterprise Co., Ltd. (100%)

4. Major stock in the region:

Name of Institutional Shareholders	Major Shareholders
Zhou Ting Enterprise Co., Ltd.	HONG, HONG-ZHANG (81.25%)

#### 4. Information of Directors and Independent Directors

Position and Name		Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is concurrently Serving as an Independent Director
Chairperson		Tong Chuang Co., Ltd. Rept: HONG, YA-MAN	Chairman Hong, Ya-man obtained a master's degree in engineering-related fields from the Institute of Civil Engineering and Disaster Prevention Science and Technology of Kaohsiung University of Science and Technology. Having more than 20 years of work experience in engineering-related and has served as the chairman in 2020. In accordance with the requirement of more than five years of work experience for the company's chairman position. Chairman Hong possesses leadership decision-making, operation management, operation judgment, and other skills in addition to professional qualifications and experience in business and commerce.	Directors' seats are not occupied by spouses or relatives within the second degree of consanguinity.	None
Director		Tong Chuang Co., Ltd. Rept: LO, WEI-TZE	LO, Wei-tze holds the designation of accountant, graduated from the Institute of Accountancy at National Taiwan University, has worked in the financial accounting industry for more than 20 years, and possesses a wealth of professional training, expertise, and knowledge in the areas of auditing, accounting, and finance. With extensive training and experience in finance, accounting, auditing, and business management, he is currently the presiding accountant of United Accounting Firm, the manager of Qinen Management Consulting Co., Ltd., and Guangzhe Management Consulting Co., Ltd. He is also an independent director of Hong Ho Precision Textile Co., Ltd.		1
Director		Tong Chuang Co., Ltd. Rept: GAO, FENG-CHI (Note 3)	Director Gao, Feng-chi has a law degree from National Taiwan University, is admitted to practice law, and has worked in the legal field for more than 30 years. He has held prosecutorial positions with the Kaohsiung and Tainan District Prosecutor's Office and serving as an independent director of Solar Applied Materials Tech Co., Ltd.		1
Director		Tong Chuang Co., Ltd. Rept: PAN, REN-TZI (Note 2)	Director Pan, Ren-zhi received his degree from CHong Hsing University's Department of Finance and Taxation. He has worked as the director of the Kaohsiung State Taxation Bureau's Sanmin branch and the Chief Secretary of the Kaohsiung City State Taxation Bureau for about 40 years, and he has a wealth of training and experience in financial and tax-related fields.		None

Position and Name		Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is concurrently Serving as an Independent Director
Director	Tong Chuang Co., Ltd. Rept: SHI, CHIN-ZHANG (Note2).(Note3)		Shi, Chin-zang graduated in soil and water conservation from CHong Hsing University and a professional designation as a soil and water conservation technician, He has served in the Water Resources Department's Southern District Water Resources Bureau for more than 30 years. He possesses the ability to plan and operate engineering projects and has extensive experience in management and practical engineering.		None
Director	Tong Chuang Co., Ltd. Rept: ZHOU, HUANG-TSAN (Note 2)		Director Zhou, Huang-tsan holds a Ph.D. in civil engineering from the National Taiwan University of Science and Technology's Department of Construction Engineering. He is also certified as a civil technician. He has served as the Chair of the Department of Civil and Engineering Information (now the Department of Civil and Spatial Information) and the Director of the Construction Technology Center at Cheng Shiu University of Science and Technology. Additionally, he has held the position of Director of the Graduate Institute of Construction Engineering and served as an Associate Professor at Kinmen University. He possesses extensive expertise and experience in civil and construction engineering-related fields.		None
Independent Director	WANG, SEN-RONG		Independent director Wang, Sen-rong graduated from China University of Political Science and Law with a degree in law. He holds a Doctor of Jurisprudence and is a qualified lawyer. He previously served as a prosecutor in the Tainan and Kaohsiung District Prosecutors' Offices. Currently, he is a managing lawyer at Jing Dien Law Firm, bringing extensive qualifications and experience in legal affairs and business management. He serves as a director at Yuxin Biotechnology Co., Ltd., as well as an independent director at Taiwan Agricultural and Forestry Co., Ltd. and Senju Materials Technology Co., Ltd.	The three independent directors listed on the left: 1. They possess the qualifications required for independent directors. 2. They fully meet the criteria for independence: (1)Neither themselves, their spouses, nor any immediate family members within the second degree of kinship hold positions as directors, supervisors, or employees of the Company or any other related entities. (2)They do not hold positions as directors, supervisors, or	2

Position and Name		Criteria	Professional Qualifications and Experience	Independence Criteria	Number of Other Public Companies in Which the Individual is concurrently Serving as an Independent Director
Independent Director	CHENG, SHUN-REN		Independent director Cheng, Shun-ren earned a double doctorate from the Department of Science and Technology Management at CHong Hua University and Manuel L.Q. University. He is currently the vice president of Cheng Shiu University of Science and Technology, director of international affairs, professor at the Business Management Institute, and visiting professor at New England College, Rangist University, Lyceum of the Philippines University, and Eastern Asia University. He is currently an independent director in Top High Image Corp. and Nan Ren Leisure Amusement Co., Ltd. His professional credentials cover the academic and industrial sectors, and he has professional qualifications and expertise in management, administration, and business.	employees of any specific affiliated company of the Company (referring to the provisions in Article 6, Paragraph 1, Subsections 5-8 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Listed or OTC-Traded Companies). (3) They are not professionals, sole proprietors, partners, directors (trustees), supervisors (supervisory officers), executives, or spouses thereof who provide audit or recently compensated professional services in business, legal, financial, accounting, or related fields to the Company or related entities.	2
Independent Director	WU, YAN-CHIU (Note 2)		Independent director Wu, Yan-chiu graduated from Jingyi Women's College of Arts and Sciences with a degree in business. She has worked as a special assistant to the chairman of Qingsan Electronics Co., Ltd., an accounting manager at Twoway Communications Inc. the chief financial officer at Yaowen Electronics Industry Co., Ltd., and a vice president at Take Well Engineering Co., Ltd. Her work experience encompasses corporate governance, overall plant management, business operations, procurement, and finance and accounting-related matters. She is currently a consultant and supervisor at Ejia Biotechnology Inc. and an independent director at Axis Corporation. Her qualifications and experience encompass finance, accounting, business operations, procurement, and business management.		1

Note 1: All directors of the Company have not been involved in any of the circumstances mentioned in Article 30 of the Company Law after investigation.

Note 2: The shareholders' meeting re-election on June 9, 2022

Note 3: The legal entity director resigned on February 24, 2023

## 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.

① Basic 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 has 9 board members in the end of 2022, including 3 Independent Directors, whose areas of expertise include finance and accounting, law, operations and technology management. 2 of the Board members are women and 1 of them is an employee. 1 of the 3 Independent Directors have been on the Board for at least 3 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 9 directors includes 2 female directors, which is 22%.

#### Implementation of Diversity by Board Members:

Item          Name	Basic information									Expertise									
	Nationality	Gender	Part-time employee of the Company	Age					Independent Director Seniority			Business judgment	Accounting and financial analysis skills	Operation Management Capability	Crisis Management Capability	Industry Knowledge	Leadership decision-making skills	Legal expertise	sustainability Management Capability
				31-40	41-50	51-60	61-70	70+	3-	3-9	9+								
HONG, YA-MAN	ROC	F	V			V					V	V	V	V	V	V		V	
LO, WEI-TZE	ROC	M			V						V	V	V	V	V	V		V	
GAO, FENG-CHI (Note1)	ROC	M				V					V		V	V	V	V	V	V	
PAN,REN-TZE	ROC	M					V				V	V	V	V	V	V		V	
SHI, CHIN-ZANG (Note1)	ROC	M						V			V		V	V	V	V		V	
ZHOU, HUANG-TSAN	ROC	M					V				V		V	V	V	V		V	
WANG,SE N-RONG	ROC	M				V				V	V		V	V	V	V	V	V	
CHENG, SHUN-REN	ROC	M				V			V		V	V	V	V	V	V		V	
WU, YAN-CHIU	ROC	F					V		V		V	V	V	V	V	V		V	

Note 1: The legal entity director resigned on February 24, 2023

(2) Independence of the Board of Directors

The Company's Board of Directors on the end of 2022 consists of 9 members, including 3 Independent Directors, only 1 of whom is an employee (11% of the total number of directors). As of the end of 2022, 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. In addition, none of the directors and independent directors have any family relationship within the spouse or second parent, which refer to Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act. The Company's directors are independent (please refer to pages 14-16 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 pages 11-12 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/age	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	HONG, YAMAN 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., Ltd Chairperson KUO TOONG INT LLC. Chairperson Xiyu Seawater Desalination Co. Chairperson Kuo Yang Environment Technology Co., Ltd. Chairperson MARVEL LINE CO.,LTD. Chairperson Ting Teng Co., Ltd. Chairperson Jie Mao International Co. Director Tong Chuang Co., Ltd. Chairperson	None	None	None	None
Senior Vice President	ROC	FU,HSUEN 61-70 (Note 2)	M	2011.05.01	Non-applicable	-	Non-applicable	-	Non-applicable	-	Department of Mechanical Engineering, CHong Hsing University China Steel Corporation	Fujian Taiming Casting Pipe Technology Co., Ltd. Director Fujian Taiming Trading Co., Ltd. President and Director	None	None	None	None
Executive Vice president	ROC	DU,GUANZHEN 51-60	M	2018.03.01	7,840	0.00%	0	0.00%	0	0.00%	Lingdong College Department of Accounting	Kuo Hsin Technology Co., Ltd. Director Jie Mao International Co., Ltd. Director Kuo Chuang Engineering Co., Ltd. Chairperson Xiamen Kuoxin Century Technology Co., Ltd. Chairperson Fujian Taiming Casting Pipe Technology Co., Ltd. Director	None	None	None	None
Management Vice President and Gouvern Supervisor	ROC	HUANG,FU-ZHEN 41-50 (Note 3)	F	2022.07.01	20,000	0.01%	0	0.00%	0	0.00%	Department of Business Management, Datong Institute of Technology Tsang Yow Industrial Co., Ltd.	Ting Teng Co., Ltd. Director Fujian Taiming Casting Pipe Technology Co., Ltd. Supervisor Xiamen Kuoxin Century Technology Co., Ltd Supervisor	None	None	None	None
Accounting Supervisor	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., Ltd.	Kuo Hsin Technology Co., Ltd. Supervisor Xiyu Seawater Desalination Co., Ltd. Supervisor Chien Yi Construction Co., Ltd. Director	None	None	None	None
Legal Director and Gouvern Supervisor	ROC	WU, ZHICHENG 51-60 (Note 3)	M	Non-applicable	-	Non-applicable	-	Non-applicable	-	Non-applicable	Department of Law, CHong 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. To enhance the functions of the board of directors and reinforce the oversight role, it is proposed to raise the number of independent directors by 1 seat, which is anticipated to be elected at the shareholders' meeting in 2023.

Note 2: The manager was dismissed on June 28 2022 and retired on July 21 in the same year.

Note 3: The board Directors decided to replace the director of corporate governance with directors Wu Zhicheng of the legal affairs department and Huang Fuzhen of the management department on January 16, 2023.



## (3) Compensation to directors, president and vice president for the most recent year

## 1. Remuneration of Director and Independent Director

Dec. 31, 2022 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) (Note 2)				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 in the financial statements	The Company		All Companies		The Company	All companies in the financial statements	
																Cash	Stock	Cash	Stock			
Chairperson	Tong Chuang Industrial Co., Ltd.	0	0	0	0	9,653	9,653	0	0	9,653 1.54%	9,653 1.54%	0	0	0	0	0	0	0	0	9,653 1.54%	9,653 1.54%	0
	Rept: HONG, YA-MAN	0	0	0	0	-	-	0	0	-	-	7,261	7,261	413	413	3,155	0	3,155	0	10,829 1.73%	10,829 1.73%	0
Director	Tong Chuang Industrial Co., Ltd.	-	-	-	-	-	-	0	0	-	-	0	0	0	0	0	0	0	0	-	-	0
	Rept : LO, WEI-TZE	0	0	0	0	-	-	72	72	72 0.01%	72 0.01%	0	0	0	0	0	0	0	0	72 0.01%	72 0.01%	0
	Rept : GAO, FENG-CHI(Note7)	0	0	0	0	-	-	72	72	72 0.01%	72 0.01%	0	0	0	0	0	0	0	0	72 0.01%	72 0.01%	0
	Rept : PAN, REN-ZHI (Note6)	0	0	0	0	-	-	40	40	40 0.01%	40 0.01%	0	0	0	0	0	0	0	0	40 0.01%	40 0.01%	0
	Rept : SHI, CHIN-ZHANG (Note6).(Note7)	0	0	0	0	-	-	42	42	42 0.01%	42 0.01%	0	0	0	0	0	0	0	0	42 0.01%	42 0.01%	0
	Rept : ZHOU, HUANG-TSAN(Note6)	0	0	0	0	-	-	40	40	40 0.01%	40 0.01%	0	0	0	0	0	0	0	0	40 0.01%	40 0.01%	0
Director	Lien Chuang Innovation Co., Ltd. (Note5)	0	0	0	0	1,502	1,502	0	0	1,502 0.24%	1,502 0.24%	0	0	0	0	0	0	0	0	1,502 0.24%	1,502 0.24%	0
	Rept : TSAI, ZONG-LUN(Note5)	0	0	0	0	-	-	32	32	32 0.01%	32 0.01%	0	0	0	0	0	0	0	0	32 0.01%	32 0.01%	0
	Rept : WANG, SHU-HSUAN(Note5)	0	0	0	0	-	-	32	32	32 0.01%	32 0.01%	0	0	0	0	0	0	0	0	32 0.01%	32 0.01%	0
Independent Director	KUO, CHIN-BAO(Note5)	159	159	0	0	751	751	88	88	998 0.16%	998 0.16%	0	0	0	0	0	0	0	0	998 0.16%	998 0.16%	0
	WANG, SEN-RONG	495	495	0	0	1713	1713	176	176	2,384 0.38%	2,384 0.38%	0	0	0	0	0	0	0	0	2,384 0.38%	2,384 0.38%	0
	CHENG, SHUN-REN	495	495	0	0	1713	1713	176	176	2,384 0.38%	2,384 0.38%	0	0	0	0	0	0	0	0	2,384 0.38%	2,384 0.38%	0
	WU, YAN-CHIU(Note6)	337	337	0	0	962	962	96	96	1,395 0.22%	1,395 0.22%	0	0	0	0	0	0	0	0	1,395 0.22%	1,395 0.22%	0

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 FY2022 was approved by the Board of Directors on March 13, 2023 and has not been paid as of the date of printing of the annual report.

Note 2: Transportation expenses for meetings are included.

Note 3: Rental costs for company's cars are included.

Note 4: The amount of contributions to the expenses of the retirement pension in FY2022 is NT\$4,182 thousand.

Note 5: The Company's employee compensation for FY2022 was approved by the board of directors on March 13, 2023 and the above figures are calculated based on the proportion of the actual allocation amount in the past

Note 6: Term of office expired on June 9, 2022.

Note 7: Election by the shareholders' meeting on June 9, 2022.

Note 8: Legal person director resigned on February 24, 2023.

\* 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-TZE, KAO, FENG-CHI, TSAI-ZHONG-LUN, WANG-SHU-HSUAN, PAN, REN-ZHI, SHI-CHIN-ZANG, ZHOU, HUANG-TSAN, KUO, CHIN-BAO, WANG, SEN-RONG, CHENG, SHUN-REN, HONG, YA-MAN	LO, WEI-TZE, KAO, FENG-CHI, TSAI-ZHONG-LUN, WANG-SHU-HSUAN, PAN, REN-ZHI, SHI-CHIN-ZANG, ZHOU, HUANG-TSAN, KUO, CHIN-BAO, WANG, SEN-RONG, CHENG, SHUN-REN, HONG, YA-MAN	LO, WEI-TZE, KAO, FENG-CHI, TSAI-ZHONG-LUN, WANG-SHU-HSUAN, PAN, REN-ZHI, SHI-CHIN-ZANG, ZHOU, HUANG-TSAN, KUO, CHIN-BAO, WANG, SEN-RONG, CHENG, SHUN-REN	LO, WEI-TZE, KAO, FENG-CHI, TSAI-ZHONG-LUN, WANG-SHU-HSUAN, PAN, REN-ZHI, SHI-CHIN-ZANG, ZHOU, HUANG-TSAN, KUO, CHIN-BAO, WANG, SEN-RONG, CHENG, SHUN-REN
1,000,000~2,000,000				
2,000,000~3,500,000	Lien Chuang Innovation Co., Ltd.	Lien Chuang Innovation Co., Ltd.		
3,500,000~5,000,000				
5,000,000~10,000,000	Tong Chuang Industrial Co., Ltd.	Tong Chuang Industrial Co., Ltd.		
10,000,000~15,000,000			HONG, YA-MAN	HONG, YA-MAN
15,000,000~30,000,000				
30,000,000~50,000,000				
50,000,000~100,000,000				
>100,000,000				
Total	12 Persons	12 Persons	12 Persons	12 Persons

## 2. Remuneration for president, vice president and the top five executives

Dec.31,2022 Unit: NT\$ thousands

Dec.31,2022 Unit: NT\$ thousands

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 Compan y	All compani es in the financial statemen ts	The Compan y	All compani es in the financial statemen ts	The Compan y	All compani es in the financial statemen ts	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash	Stocks	Cash	Stocks			
Chairperso n and President	HONG, YA- MAN	9,436	9,436	868	868	4,182	4,182	6,203	0	6,203	0	20,689 3.31%	20,689 3.31%	0
Senior Vice President	FU, HSUE- REN (Note4)													
Executive Vice President	DU, GUAN- ZHEN													
Vice President	HUANG, FU- ZHEN (Note5)													
Accounting Manager	HUANG, WEN-HUI													

Note 1: Retirement pensions are all appropriations.

Note 2: Including the company car rental fee.

Note 3: The Company's 2022 employee compensation was approved by the board of directors on March 13, 2023.

Note 4: The manager was terminated on June 28, 2022 and retired on July 21, 2022.

Note 5: Become a manager on July 1, 2022.

\* The compensation disclosed in this table is different from the concept of income under the Income Tax Act.

### Compensation Scale

Remuneration to the Company's president, vice president and the top five highest paid executives	Names of the President, 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	FU, HSUE-REN, HUANG, FU-ZHEN	FU, HSUE-REN, HUANG, FU-ZHEN
2,000,000~3,500,000	HUANG, WEN-HUI	HUANG, WEN-HUI
3,500,000~5,000,000	DU, GUAN-ZHEN	DU, GUAN-ZHEN
5,000,000~10,000,000		
10,000,000~15,000,000	HONG, YA-MAN	HONG, YA-MAN
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

Dec.31,2022 Unit: NT\$ thousands

	Title	Name	Stock	Cash (Note1)	Total	Total amount as a percentage of net income after tax (%)
M a n a g e r s	Chairperson and President	HONG, YA-MAN	0	6,203	6,203	0.99%
	Senior Vice President	FU, HSUE-REN (Note2)	0			
	Executive Vice President	DU, GUAN-ZHEN	0			
	Vice President	HUANG, FU-ZHEN (Note3)	0			
	Accounting Manager	HUANG, WEN-HUI	0			

Note 1: The company's 2022 employee remuneration was approved by the Board of Directors on March 13, 2023, and the above figures are tentative estimates for this year.

Note 2: The manager dismissed on June 28, 2022 and retired on July 21, 2022.

Note 3: Became a manager on July 1, 2022.

4. An analysis of the total compensation paid to the Company's directors, supervisors, president and vice president 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-2022		Total compensation against Percentage of net income after tax-2021	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	2.98%	2.98%	6.15%	8.44%
Supervisor (Note1)	-	-	-	-
President and Vice President	3.31%	3.31%	6.36%	8.71%

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. 2022 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. Operation of Corporate Governance

#### (1) Operations of the Board of Directors:

The Board held 10 meetings (A) in 2022. 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 Industrial Co., Ltd.	10	0	100.00%	
	Rept : HONG, YA-MAN				
Director	Tong Chuang Industrial Co., Ltd. Rept : LO, WEI-TZE	10	0	100.00%	
Director	Tong Chuang Industrial Co., Ltd. Rept : KUO, FENG-CHI	10	0	100.00%	
Director	Tong Chuang Industrial Co., Ltd. Rept: PAN, REN-ZHI	5	0	100.00%	Elected on June 9, 2022. The actual number of attendances should be 5 times.
Director	Tong Chuang Industrial Co., Ltd. Rept: SHI, CHIN-ZANG	5	0	100.00%	Elected on June 9, 2022. The actual number of attendances should be 5 times.
Director	Tong Chuang Industrial Co., Ltd. Rept: ZHOU, HUANG-TSAN	5	0	100.00%	Elected on June 9, 2022. The actual number of attendances should be 5 times.
Director	Lien Chuang Inc. Rept: TSAI, ZONG-LUN	5	0	100.00%	Terminated on June 9, 2022. The actual number of attendances should be 5 times.
Director	Lien Chuang Inc. Rept : WANG, SHU-HSUAN	5	0	100.00%	Terminated on June 9, 2022. The actual number of attendances should be 5 times.
Independent Director	KUO, CHIN-BAO	5	0	100.00%	Terminated on June 9, 2022. The actual number of attendances should be 5 times.
Independent Director	WANG, SEN-RONG	10	0	100.00%	
Independent Director	CHENG, SHUN-REN	10	0	100.00%	
Independent Director	WU, YAN-CHIU	5	0	100.00%	Elected on June 9, 2022. The actual number of attendances should be 5 times.

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: None.

- (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: None.
- For the most recent year and as of the printing date of the annual report, it is noted that there have been instances where directors and independent directors have expressed dissenting opinions regarding significant decisions approved by the Board of Directors, with records or written statements available.
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 January 17, 2022, the Board of Directors approved the company's plan for managers to receive end-of-year bonuses for 2021. The remaining present directors approved this matter without opposition even though Chairman Hong, Ya-man chose not to participate in the vote.
  2. On March 31, 2022, the Board of Directors approved the manager's request for a compensation increase. The plan was approved with no opposition from the other current directors after Chairman Hong, Ya-man chose not to participate in the vote.
  3. On November 11, 2022, the Board of Directors approved the company's 2021 director compensation distribution plan. Chairman Hong, Ya-man, legal person director representatives Lo, Wei-tze, Kao, Feng-chi, and independent directors Wang, Sen-rong and Cheng, Shun-ren, because this case was resolved by them for the distribution of director compensation. As a result, they each avoided the meeting individually in accordance with the law and abstained from the discussion and vote. After the chairman consulted the directors present, the proposal was approved.
  4. On November 11, 2022, the Board of Directors reached a decision about the distribution of manager and staff compensation over the previous year, 2021. Because the case was based on his own interests in choosing how to distribute the compensation of his managers and employees, Chairman Hong, Ya-man skipped the meeting and abstained from the discussion and voting. 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:

<b>Evaluation Period</b>	Performed once a year
<b>Evaluation Period</b>	January 1, 2022 to December 31, 2022
<b>Scope of Evaluation</b>	Performance Evaluation of the Board of Directors, Individual Board Members, Audit Committee and Salary and Compensation Committee
<b>Evaluation Method</b>	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
<b>Evaluation Content</b>	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>5. Evaluation of the performance of the Sustainability Development Committee: including the level of involvement in company operations, understanding of the responsibilities of the Sustainability Development Committee, enhancement of decision-making quality of the Sustainability Development Committee, composition and selection of members of the Sustainability Development Committee.</p>
<b>Implementation</b>	The results of the performance evaluation of the Board of Directors for 2022 were reported to the Board of Directors on March 13, 2023.

Note: On June 28, 2022, Board of Directors approved the establishment of the Sustainable Development Committee. Evaluation period was from June 28, 2022 to December 31, 2022.

4. Evaluation of the independence of the certifying accountants:

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

Certified Public Accountant: HONG, KUO-SEN, 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	
16. whether the CPA is not involved in the management function of the Company's decision making	V	
17. As of the date of the most recent visa application, the CPA has not been replaced for seven years	V	
18. No disciplinary action has been taken against the CPA to date.	V	

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

Certified Public Accountant: LEE, FANG-WEN, 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	
16. Whether the CPA is not involved in the management function of the Company's decision making	V	
17. As of the date of the most recent visa application, the CPA has not been replaced for seven years	V	
18. No disciplinary action has been taken against the CPA to date.	V	



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

Certified Public Accountant: HUANG, SHI-JIE, CPA (Note)

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	
16. Whether the CPA is not involved in the management function of the Company's decision making	V	
17. As of the date of the most recent visa application, the CPA has not been replaced for seven years	V	
18. No disciplinary action has been taken against the CPA to date.	V	

Note: Due to the internal rotation of the accounting firm, Hong, Kuo-sen and Lee, Fang-wen were the accountants for the first quarter of 2023. The change was made by Hong, Kuo-sen and Huang, Shi-jie, CPAs.

The audit committee of the company evaluates the independence and suitability of the CPAs every year or when the accountant is changed. In addition to requiring the CPAs to provide the "Detached Independence Statement" and "Audit Quality Indicators (AQIs)", it also follows the above table standards, and 13 AQI indicators are evaluated. It is confirmed that the accountant has no other financial interests or business relationship with the company except for visa and tax case fees, and the accountant's family members do not violate the independence requirements. With reference to the AQI index information, it is confirmed that the CPAs and the firm continue to improve the audit quality. Due to the internal rotation of the accounting firm, in the first quarter of 2023, the CPAs were Hong, Kuo-sen and Lee, Fang-wen, and the change was Hong, Kuo-sen and Huang, Shi-jie. It was also reported to the board of directors on March 13, 2023, to approve the assessment of the independence and suitability of CPAs.

5. 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. Executive situation :

- (1) Strengthening corporate governance: The "Code of Practice for Sustainable Development" and the "Organizational Regulations of the Sustainable Development Committee" were approved by the Company's Board of Directors on March 21, 2022, and on June 28, 2022, the board of directors approved the establishment of the "Sustainable Development Committee." The "Sustainable Development Committee" was formed to assist the board of directors in its ongoing promotion of the implementation of CSR and sustainable management. On November 11, 2022, the board of directors received a report on the management and operation of the 2022 Sustainability Committee.
- (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. The following objectives are intended to strengthen the board of directors' roles:

- (1) Starting in the second quarter of 2022, the audit committee will analyze and approve the company's interim financial reports before sending them to the board of directors for discussion and decision-making.
- (2) The external evaluation of the board of directors is anticipated to be completed in 2023, and the results will be published on the corporate website upon the evaluation.

- (2) Information on the operation of the Audit Committee:  
2022/1/1~2022/12/31 The Audit Committee met 8 (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	KUO, CHIN-BAO	5	0	100.00%	Dismissed on June 2022. The actual number of meetings were 5 times.
Independent director	WANG, SEN-RONG	8	0	100.00%	
Independent director	CHENG, SHUN-REN	8	0	100.00%	
Independent director	WU, YAN-CHIU	3	0	100.00%	Elected on June 9, 2022. The actual number of meetings were 3 times.

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:

Date	Content	Resolution
2022.01.17	1. Establish the company's "Code of Practice on Corporate Governance." 2. Establish the company's "Code of Integrity Management". 3. Establish the company's "Integrity Management Operation Procedures and Behavior Guidelines". 4. The examination of accounts receivable by the company and its subsidiaries for a certain time period past the customary credit period. 5. The company will serve as a joint guarantor to give an approving guarantee, and its subsidiary, Kuo Chuang Engineering Co., Ltd., plans to handle financing loans from O Bank. 6. Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd. (hereinafter referred to as "Shanghai Songjiang Huaqiao Company") number has shares in the company and its subsidiary Jie Mao International Co., Ltd. (hereinafter referred to as "Jie Mao Company").	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.03.21	1. In the 2021 "Internal Control System Effectiveness Assessment" and "Internal Control System Statement" cases 2. It is proposed to revise part of the text of the company's "Procedures for Acquisition or Disposal of Assets".	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.03.31	1. The company's annual business report for 2021, as well as its separate and combined financial statements. 2. The appraisal of the company's and its subsidiaries' receivables for a specific time period after the customary credit term.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.04.26	1. Change the proposal for the visa accountant change in accordance with the needs of Ernst & Young Certified Public Accountants for internal adjustment. 2. Reviewing the particular case of Fujian Taiming Casting Pipe Technology Co., Ltd.'s cash capital growth.	1. All members present unanimously approved; and submitted to the Board of Directors for resolution. 2. To avoid taking part in the capital increase, all of the

Date	Content	Resolution
		present members unanimously approved the motion, which was then delivered to the board of directors for approval.
2022.05.12	1. In 2022, Ernst & Young Certified Public Accountants Independence Case. 2. Ernst & Young joint accounting firm's financial visa public fee case from the second quarter of 2022 to the first quarter of 2023.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.08.12	1. The Company and its subsidiaries evaluated the receivables for a period exceeding the normal credit term. 2. Consolidated financial report for the second quarter of 2022 3. Discuss the endorsement guarantee case for the important subsidiary, Kuo Yang Environmental Technology Co., Ltd.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.09.01	1. Participated in the cash capital increase case of the subsidiary "Chien Yi Construction Co., Ltd." 2. The company's grandson company, Kuo Chuang Engineering Co., Ltd., intends to handle financing loans from O Bank, and the company will act as a joint guarantor to provide an endorsement guarantee.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2022.11.11	1. Third-quarter 2022 consolidated financial report. 2. The assessment of the company's and its affiliates' accounts receivable for a period of time past the customary credit period. 3. The company's 2023 strategy for annual reviews 4. Created the "internal material information evaluation procedures" proposal for the business. 5. Approved that the company serves as a joint guarantor to give an approving guarantee for loans handled by its grandson company, "Kuo Chuang Engineering Co., Ltd.", which is a division of "Shanghai Bank East Kaohsiung Branch". 6. Update a few passages in the business' "Rules of Procedure for the Board of Directors". 7. The company's subsidiary, "Xiyu Seawater Desalination Co., Ltd.", has applied for the "Cooperative Bank Sanmin Branch" to handle the performance guarantee amount during the operation period, and the company will act as a joint guarantor to provide an endorsement guarantee.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2023.01.16	1. Evaluation of accounts receivable exceeding the normal credit period for a certain period of time by the Company and its subsidiaries. 2. Proposal for retroactive recognition of the subsidiary "Kuo Chuang Engineering Co., Ltd." of the Company's guarantee endorsement for project performance financing from "Shanghai Bank, East Kaohsiung Branch".	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2023.02.14	1. Proposal for disposal of all equity interests in the subsidiary companies Xiamen Kuoxin New Century Technology Co., Ltd. or Marvel Line Co., Ltd. by the Company.	All members present unanimously approved; and submitted to the Board of Directors for resolution.
2023.03.13	1. Assessment of the "effectiveness of internal control system" and issuance of the "Statement on the Effectiveness of Internal Control System" for 2022. 2. Preparation of the Company's 2022 annual business report, parent company only financial statements, and consolidated financial statements. 3. Development of the "Operating Procedures for Preparation and Verification of Sustainability Reports" for the Company.	All members present unanimously approved; and submitted to the Board of Directors for resolution.

Date	Content	Resolution
	4. Change of signing auditor to comply with internal adjustments by Ernst & Young Certified Public Accountants.	
2023.04.13	1. Proposal for 2022 distribution of earnings.	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: None.
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 2022:

Date	Communication Method	Content	Result
2022.01.17	The 22nd Audit Committee of the Second Term	Audit Report for October and December, 2021	The Board of Directors has no comments to make and submits its report after consultation.
2022.03.21	The 23rd Audit Committee of the Second Term	1. Audit report for January-February, 2022 2. Approved the "Internal Control System Effectiveness Assessment" and "Statement of Internal Control System" for 2021.	1. The Board of Directors has no comments to make and submits its report after consultation. 2. All members present agreed to approve and propose to the Board of Directors for resolution.
2022.05.12	The 26th Audit Committee of the Second Term	Audit report for March-April, 2022	The Board of Directors has no comments to make and submits its report after consultation.
2022.08.12	The 1st Audit Committee of the Third Term	Audit report for May-July, 2022	The Board of Directors has no comments to make and submits its report after consultation.
2022.11.11	The 3rd Audit Committee of the Third Term	1. Audit report for August - October, 2022 2. Approved the annual audit plan for 2023.	All members present agreed to approve and propose to the Board of Directors for resolution.

Date	Communication Method	Content	Result
2022.11.11	Independent Directors and Audit Supervisors' Conference	1. The implementation audit plan for 2022 discussion 2. The case of Marvel Line loaning RMB 57 million to Xiamen Kuoxin.	1. State the implementation's progress and get contact. 2. Keep tracking until the incomplete improvement is finished.

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

1. Arrangement for accountants to report to independent directors on the status of the company's finances on an irregular basis, 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 2022:

Date	Communication Method	Content	Result
2022.03.31	Independent Directors and Audit Supervisors' Conference	A discussion of communication issues, such as audit conclusions for the 2021 annual financial report.	All members present agreed to approve and propose to the Board of Directors for resolution.
2022.11.11	Independent Directors and Audit Supervisors' Conference	1. Important CPAs checkpoints. 2. Strengthen the supervision mechanism of listed counter companies. 3. Climate-related information disclosure considerations should be included in the compilation and reporting of sustainability reports. °	Noted.

4. Annual Work Focus of the Audit Committee:

In 2022, 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

3-1 Head of Corporate Governance

Wu, Zhi-cheng, a director, concurrently held the position of director of corporate governance in 2022. He has more than 3 years of expertise in legal disputes and other managerial responsibilities in public-offering companies, protecting shareholders' rights and interests and enhancing the Board of Directors' duties. The Board of Directors decided on January 16, 2023, to replace the director of corporate governance with Wu, Zhi-cheng, director of legal affairs, and Huang, Fu-zhen, vice president of the management division.

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 2022 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	Hours
Director of Corporate Governance	WU, ZHI-CHENG	2022.03.24	Accounting Research and Development Foundation	ESG Sustainable Trends and Management Strategies of Global Enterprises	3hrs
Director of Corporate Governance	WU, ZHI-CHENG	2022.03.29	Securities & Futures Institute (SFI)	The Facts of Directors' and Supervisors' Breach of Trust and Special Breach of Trust	3hrs
Director of Corporate Governance	WU, ZHI-CHENG	2022.05.12	Taiwan Stock Exchange (TWSE), Alliance Advisors, Taiwan Corporate Governance Association	International Twin Summit	2hrs
Director of Corporate Governance	WU, ZHI-CHENG	2022.08.25	Taipei Exchange (TPEX)	Insider Shareholding Publicity Seminar	3hrs
Director of Corporate Governance	WU, ZHI-CHENG	2022.10.7	Taiwan Stock Exchange (TWSE), Taipei Exchange (TPEX)	Release of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers and Directors and Supervisors Publicity Meeting for 2022 OTC Companies	3hrs

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	Operating Situation			Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons
	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 implemented a diversity policy on the composition of the Board of Directors.	(1) No difference
(2) Does the Company voluntarily set up various functional committees other than the Compensation Committee and Audit Committee in accordance with the law?	V		(2) In addition to the establishment of the Compensation Committee and the Audit Committee in accordance with the law, the company has formulated the "Code of Practice for Sustainable Development" and the "Organizational Regulations for the Sustainable Development Committee," and the Board of Directors approved the establishment of the Sustainable Development Committee on June 28, 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,	V		(3) The Company has established a method for evaluating the performance of the Board of Directors and its assessment method, and conducts performance	(3) No difference

Evaluation Item	Operating Situation		Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons
	Y	N	
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?			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.
(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 a corporate governance supervisor and the management department as a part-time corporate governance unit, both of which are in charge of matters relating to corporate governance. No major difference
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



Evaluation Item	Operating Situation			Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons
	Y	N	Description	
(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
(3) 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 2022 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 quarter, and by the 10th of the following month, respectively, in accordance with the Securities and Exchange Act and other relevant regulations. Announcement and declaration: On March 13, 75 days after the end of the year, the 2022 annual financial report was announced and declared in compliance with regulations and prescribed deadline made by the company.	(3) The notification was filed before the deadline
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		<p>(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.</p> <p>(2) The Company has smooth communication channels with its suppliers and customers, and maintains a good relationship of mutual assistance and cooperation.</p> <p>(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.</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p>

Evaluation Item	Operating Situation						Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons		
	Y	N	Description						
	(4) Further education of company directors					(4) No difference			
			Position	Name	Date	Held by	Course	Hours	(
			Chairperson	HONG, YA-MAN	2022.5.4	Taiwan Stock Exchange ( TWSE ) 、 Alliance Advisors 、 Taiwan Corporate Governance Association	International Twin Summit	2hrs	
			Chairperson	HONG, YA-MAN	2022.7.27	Taiwan Stock Exchange ( TWSE ) 、 Taipei Exchange(TPEX)	Introduction to Sustainable Development Roadmap Industry Theme	2hrs	
			Chairperson	HONG, YA-MAN	2022.8.24	Taiwan Corporate Governance Association	Management and strategy for enterprise transformation	3hrs	
			Chairperson	HONG, YA-MAN	2022.9.14	Taiwan Corporate Governance Association	Board of Directors' compliance practices and legal responsibilities of directors and supervisors and case studies	3hrs	
			Chairperson	HONG, YA-MAN	2022.9.16	Taiwan Corporate Governance Association	Analysis of associated laws and shareholder meeting procedures	3hrs	

Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						
			Position	Name	Date	Held by	Course	Hours	
			Chairperson	HONG, YA-MAN	2022.9.20	Taiwan Corporate Governance Association	Corporate Governance and Securities Regulations-A Legal Norms Analysis and Practical Insider Trading Case Study	3hrs	
			Independent Director	WANG, SEN-RONG	2022.11.9	Securities&Future Institute (SFI)	2022 regulations Important Issues of Taxation, Securities and Exchange	3hrs	
			Independent Director	WANG, SEN-RONG	2022.11.9	Securities&Future Institute (SFI)	Understanding the ESG sustainable equation	3hrs	
			Independent Director	CHEN, SHUN-RONG	2022.7.7	Taiwan Corporate Governance Association	Corporate governance and intellectual property management	3hrs	
			Independent Director	CHEN, SHUN-RONG	2022.7.7	Taiwan Corporate Governance Association	ESG Legal Issues Boards Directors Should Consider	3hrs	

Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						
			Position	Name	Date	Held by	Course	Hours	
			Independent Director	WU , YAN-CHIU	2022.9.29	Taiwan Stock Exchange ( TWSE ) , Taipei Exchange(TPEX)	2022 OTC companies-Publicity Meeting for declaration of Reference Guidelines for Independent Directors and Audit Committees to Exercising Powers	3hrs	
			Independent Director	WU , YAN-CHIU	2022.11.18	Securities&Future Institute (SFI)	Directors and Supervisors (Including Independents) and Corporate Governance Executive Practice Advanced Seminar - Corporate Financial Crisis Early Warning and Type Analysis	3hrs	

Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						
			Position	Name	Date	Held by	Course		Hours
			Director	LO, WEI-TZE	2022.10.7	Taiwan Stock Exchange (TWSE) 、Taipei Exchange(TPEX)	2022 OTC Companies-Release of Reference Guidelines for Independent Directors and Audit Committees to Exercise Powers and Directors and Supervisors Publicity Meeting	3hrs	
			Director	LO, WEI-TZE	2022.11.30	Accounting Research and Development Foundation	The Basis of Preparation and Disclosure of the Sustainability Report: Key Analysis of IFRS ISSB S1 and S2	3hrs	
			Director	KAO, FENG-CHI	2022.5.4	Taiwan Stock Exchange (TWSE) 、Alliance Advisors 、Taiwan Corporate Governance Association	International Twin Summit	2hrs	
			Director	KAO, FENG-CHI	2022.8.25	Taipei Exchange (TPEX)	Insider Shareholding Publicity Seminar	3hrs	

Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						
			Position	Name	Date	Held by	Course		Hours
			Director	KAO, FENG-CHI	2022.10.7	Taiwan Stock Exchange（TWSE）、Taipei Exchange(TPEX)	2022 OTC Companies-Release of Reference Guidelines for Independent Directors and Audit Committees to Exercise Powers and Directors and Supervisors Publicity Meeting	3hrs	
			Director	PAN, REN-ZHI	2022.8.24	Corporate Operating and Sustainable Development Association	Management and strategy for enterprise transformation	3hrs	
			Director	PAN, REN-ZHI	2022.8.31	Corporate Operating and Sustainable Development Association	The Importance of Intellectual Property Management to Corporate Governance	3hrs	
			Director	PAN, REN-ZHI	2022.9.22	Corporate Operating and Sustainable Development Association	Directors' and supervisors' obligations under corporate governance and a case study	3hrs	

Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						
			Position	Name	Date	Held by	Course	Hours	
			Director	PAN, REN-ZHI	2022.10.19	Corporate Operating and Sustainable Development Association	Directors, managers, and insiders must be aware of legal requirements and risk obligations under corporate governance.	3hrs	
			Director	SHI, CHIN-ZANG	2022.8.24	Corporate Operating and Sustainable Development Association	Management and strategy for enterprise transformation	3hrs	
			Director	SHI, CHIN-ZANG	2022.8.25	Taipei Exchange (TPEX)	Insider Shareholding Publicity Seminar	3hrs	
			Director	SHI, CHIN-ZANG	2022.9.16	Corporate Operating and Sustainable Development Association	Analysis of associated laws and shareholder meeting procedures	3hrs	
			Director	SHI, CHIN-ZANG	2022.10.19	Corporate Operating and Sustainable Development Association	Directors, managers, and insiders must be aware of legal requirements and risk obligations under corporate governance.	3hrs	

Position	Name	Date	Held by	Course	Hours
Director	ZHOU, HUANG- TSAN	2022.7.27	Taiwan Stock Exchange ( TWSE ) 、 Taipei Exchange(TPEX)	Roadmap for Sustainable Development: A Public Relations Conference	2hrs
Director	ZHOU, HUANG- TSAN	2022.8.30	Corporate Operating and Sustainable Development Association	Independent directors' operational and corporate governance practices	3hrs
Director	ZHOU, HUANG- TSAN	2022.8.31	Corporate Operating and Sustainable Development Association	Corporate Governance and the Importance of Intellectual Property Management	3hrs
Director	ZHOU, HUANG- TSAN	2022.9.20	Corporate Operating and Sustainable Development Association	Corporate Governance and Securities Regulations: A Legal Norms Analysis and Practical Insider Trading Case Study	3hrs
Director	ZHOU, HUANG- TSAN	2022.10.25	Corporate Operating and Sustainable Development Association	Difficulties and challenges of the independent director system	3hrs



Evaluation Item	Operating Situation							Deviations from the Governance Code of Practice for Listed OTC Companies and Reasons	
	Y	N	Description						(5) No difference
	(5) Internal training for company directors								
Position	Name	Date	Held by	Course Name	Hours				
			Accounting Manager	HUANG, WEN-HUI	2022.12.19-2022.12.20	Accounting Research and Development Foundation	Continuing training courses for accounting executives of issuers, securities firms, and stock exchanges	12hrs	
			Audit Manager	LIU, CHANG-FENG	2022.12.28	Accounting Research and Development Foundation	Analysis of common errors in "financial report review" and significant internal control legislation and regulations	6hrs	
			Audit Manager	LIU, CHANG-FENG	2023.1.10	Accounting Research and Development Foundation	The last version 「ESG Sustainable development」 and 「self-compiled financial report」 related development and internal control management practices	6hrs	

		(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 9th (2022) Corporate Governance Evaluation, the following improvements have been made:

No.	Criteria	Status
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?	Implemented
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?	Implemented in the financial report of the second quarter of 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?	Implemented
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?	Implemented
2.19	Is the actual attendance rate of all directors at the board meeting for the year under evaluation at least 85%?	Implemented
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?	Implemented
3.20	Does the company publish significant information in English simultaneously?	Implemented

(2) The company's "Corporate Governance Evaluation" results fall between 51% and 65% in 2021. 2022 annual grades fall between 36-50%. In 2023, it is estimated that the measures for the following enhancements will be as follows:

Item	Criteria	Description of expected enhancement measures
1.18	Does the company include pertinent information about the questions and answers from regular shareholder meetings in the minutes?	Planned to be implemented at the 2023 Annual General Meeting of Shareholders
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?	Implemented in 2023
3.9	Does the company upload before the 10th of each month (inclusive) the changes in insiders' holdings from the previous month to the public information observation station?	Implemented in 2023

4.11	Has the company revealed its annual water use, trash weight, or greenhouse gas emissions during the last two years? additionally certified outside.	Implemented in 2023
4.22	Does the company allocate funds to support domestic cultural development and publish the support's strategies and accomplishments in its annual report, sustainability report, or website?	Planned to arrange a budget to support the cultural industry in 2023.
1.18	Does the company include pertinent information about the questions and answers from regular shareholder meetings in the minutes?	Implemented in 2023
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?	Implemented in 2023

(4) Compensation Committee Operation  
(1) Compensation Committee Member Information

Title	Criteria	Professional qualifications	Independence (Note 1)	Number of members of compensation committees of other public companies	Note
	Name				
Independent Director (Convener)	KUO, CHIN-BAO	At least five years of legal work experience Professional qualification: lawyer Experience: Legalway Law Firm Sunfar Computer Co., Ltd. Independent Director	Compliance with independence	1	Dismissed on June 9, 2022 when the term expires
Independent Director (Convener)	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	The Remuneration Committee elected as the new convener
Independent Director	WANG, SEN- RONG	At least five years of legal work experience Professional qualification: lawyer Experience: Jing Dien Law Firm Managing Lawyer Bioptik Technology Inc. Director Taiwan Tea Co., Ltd. Independent Director Xxentria Technology Materials Co., Ltd. / Independent Director	Compliance with independence	2	
Independent Director	WU, YAN- CHIU	At least five years of working experience Experience: Take Well Engineering Inc. Vice President Yaowen Electronics Co., Ltd. CFO	Compliance with independence	1	Elected on June 9, 2022.

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 9, 2022 to June 8, 2025, in 2022 The Compensation Committee met 5 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	3	0	100.00%	The original remuneration committee's convener, who was due to continue serving until June 9, 2022, actually should attend 3times.
Convenor	CHENG, SHUN-REN	5	0	100.00%	The remuneration committee elected as the new convener
Member	WANG, SEN-RONG	5	0	100.00%	
Member	WU, YAN-CHIU	2	0	100.00%	Elected on June 9, 2022, Actually should attend 2 times
<p>Other items to be recorded.</p> <p>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</p> <p>2. The date, period, proposal basis, all members' opinions, and the handling of members' opinions should all be indicated for the salary and compensation committee resolutions if members have objections or reservations and there are records or written statements: None.</p>					

- Note : (1) The date of resignation must be noted in the remarks column if a Compensation Committee member leaves before the end of the year. The actual attendance rate (%) is calculated based on the number of Compensation Committee meetings and the number of times the member actually attended during the employment period.
- (2) If the compensation committee is elected again before the year is out, the new and previous members should be listed, and the member should be identified in the notes column as the former, new, or re-elected and re-election date. The number of Remuneration Committee meetings held during the working period and the number of real attendees is used to compute the actual attendance percentage (%).

(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			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 major 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 major 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 carry out tutoring work. Before the end of 2022, it plans to finish the greenhouse gas inventory (LCA) and request certification from SGS, an impartial third-party notary.	No major 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	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
			<p>compared to the general filter design.</p> <p>2. Our company DIP uses scrap iron as the main raw material.</p>	
(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		<p>Taiwan's yearly rainfall has dropped in reaction to climate change in recent years. Every time water is sold, there is a shortage of water . We are a complete, experienced manufacturer of water resources. In the future the government will support numerous water resource construction projects both now and in the future in order to seize appropriate business opportunities.</p> <p>The company will periodically evaluate the threats and possibilities posed by climate change, develop countermeasures, and keep a close eye on pertinent issues as it sets objectives and executes plans.</p>	No major 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 reduction or other waste management?	V		<p>1. To assure the accuracy and reliability of the greenhouse gas inventory data, the company will self-calculate the 2021 greenhouse gas inventory. It will next complete the 2022 greenhouse gas inventory and report. Finally, at the end of 2022, it will introduce third-party certification.</p> <p>2. Policies for decreasing emissions include choosing types with environmental protection certification when replacing official autos, replacing the photocopiers in the general management center with energy-saving versions that have environmental protection certificates, and replacing the lighting in conference rooms with energy-saving options.</p> <p>In the future, we plan to gradually improve, set objectives for reducing greenhouse gases, water use, and other wastes, as well as occasionally raise employee awareness of environmental protection issues like energy conservation and carbon reduction. We'll also encourage turning off lights, conserving water and electricity, and recycling paper waste. Use of small hands and more energy-saving devices are two examples of environmental protection practices.</p>	No major difference
<p>IV. Social Issues</p> <p>(1) Has the Company established relevant management policies</p>	V		In order to protect employees' legitimate rights and interests,	No major difference



Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
and procedures in accordance with relevant laws and regulations and international human rights conventions?			the company develops pertinent policies and procedures in line with the Labor Standards Law and other applicable labor laws, and it makes these provisions clear to management and staff. °	
(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 major 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 major 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 major 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 major 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 major 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 Company has prepared the "2021 Kuo Toong International Sustainability Report" in accordance with the Global Reporting Initiative (GRI) Standards. The report has undergone independent limited assurance conducted by a Legendary & Steadfast Accountancy in compliance with the	No major difference

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
			"Engagement to Report on Non-Financial Information Other than Historical Financial Information" issued by the Accounting Research and Development Foundation of the Republic of China. This assurance engagement follows the International Assurance Standard ISAE3000. The sustainability report was completed by the end of September in 2022, and third-party verification assurance was completed by the end of November in 2022. The report has been publicly disclosed on the Company's website.	
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 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				

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
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 (1) "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	(2) In addition to creating an auditing division under the control of the board of directors, the corporation also names the management division and the legal division as the special division responsible 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		V	(3) The company officially incorporates corporate social	(3) 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	
them?				
(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		responsibility in its "Sustainable Development Code of Practice." Respecting social ethics and considering other interests should be the foundation of taking responsibility. Emphasize corporate governance, environmental, and social aspects and incorporate them into company management and operations in order to protect the rights and interests of associated parties while pursuing sustainable operation and profit. (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 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.	(4) No difference
(5) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		(5) The business held an online conference for managers and staff on November 21, 2022, to inform them of pertinent rules and regulations. The focus is on legal standards and procedures pertaining to insider trading and corporate integrity management. There are 117 participants and 120 minutes are allotted for the lesson.	(5) No difference
III. Operation of the integrity channel				
(1) Does the Company establish both a reward/punishment system and an	V		(1) The Company designates the Management Department as	(1) 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	
<p>integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the Company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the Company provide proper whistleblower protection?</p>	V		<p>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.</p> <p>(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.</p> <p>(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.</p>	<p>(2) No difference</p> <p>(3) No difference</p>
<p>IV. Strengthening information disclosure</p> <p>Does the Company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	V		<p>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.</p>	No difference
<p>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. °</p>				
<p>VI. Additional details that are crucial for understanding how the business manages and operates its integrity include:</p> <p>(1) The company's board of directors approved the "Code of Ethical Conduct," "Code of Integrity Management," and "Code of Practice for Sustainable Development" and made them public via the corporate website and public information observation station.</p> <p>(2) The "Board of Directors' Rules of Procedure" prescribed by the corporation provide a method for avoiding conflicts of interest for directors. Any individual or legal person that has an interest in the proposals mentioned on the board of directors and works against the company's best interests may declare such interest. Opinions and questions, but they are prohibited from speaking up or voting during meetings and discussions, and they must not vote on behalf of other directors.</p> <p>(3) The company has developed "internal material information processing, insider transaction prevention management, and insider information reporting operational procedures," which specifically state that directors, supervisors, managers, and employees are not permitted to share the internal material information they are aware of</p>				

Evaluation Item	Implementation Status (Note)			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies " and Reasons
	Y	N	Description	
with third parties. It is forbidden to ask people who are exposed to the company's important internal information about it or to gather it from them if it is unrelated to personal obligations. It is also forbidden to reveal the company's important internal information to others if it was not acquired through business operations.				
(4) The "Manufacturer's Integrity and Integrity Commitment Letter" has already been requested from suppliers, and 25 more have been signed in 2022; the "Code of Integrity and Ethics Statement" was signed by employees, and as of the end of 2022, 184 copies had been signed, clearly demonstrating the company's directors and management's commitment to operating policies.				

- (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) Additional important data that is sufficient to improve awareness of how corporate governance functions may be disclosed:
- (1) Hold periodic corporate briefings and promptly disclose important information in both Chinese and English.
  - (2) The company has prepared both Chinese and English versions of the ESG (Environmental, Social, and Governance) report, which are disclosed on the company's website and publicly available on the Taiwan Stock Exchange's Market Observation Post System for investor reference.

(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: 2023/03/13

Based on the results of our self-assessment, we declare that our internal control system for the year ended December 31, 2022 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, 2022, 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, 2023. Of the 7 directors present, 0 held opposing views and the rest agreed to the contents of this statement.

Kuo Toong International Co., Ltd.

Chairperson: HONG, YA-MAN

President: HONG, YA-MAN

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
2022.1.17	Board	<ol style="list-style-type: none"> <li>1. Approved and created an approach for the company's managers' year-end bonuses in 2021.</li> <li>2. Approved for the change of a few sections of the business' "Directors and Managers' Salary and Remuneration Management Measures."</li> <li>3. Approved for the company established a "Corporate Governance Code of Practice."</li> <li>4. Approved for the company's "Integrity Management Operation Procedures and Behavior Guidelines" and "Code of Integrity Management."</li> <li>5. Approved for the company developed "Integrity Management Operation Procedures and Behavior Guidelines."</li> <li>6. Approved of the company's and its subsidiaries' receivables for a time period beyond the customary credit period.</li> <li>7. To handle financing loans from Wangdao Bank, the company operates as a joint guarantor to give an endorsing guarantee through its subsidiary, Kuochuang Engineering Co., Ltd.</li> <li>8. Through the company and its subsidiary Jiemao International Co., Ltd. (hereinafter referred to as "Jiemao Company"), dispose of all the shares owned by Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd. (hereinafter referred to as "Shanghai Songjiang Huaqiao Company").</li> </ol>
2022.03.21	Board	<ol style="list-style-type: none"> <li>1. Approved the "assessment of the effectiveness of the internal control system" and the "issuance of the internal control system statement." In 2021.</li> <li>2. Established the Company's "Responsibilities of Independent Directors"</li> <li>3. Established the Company's "Guidelines for Director Training and Development".</li> <li>4. Established the Company's "Practices for Sustainable Development".</li> <li>5. Established the Company's "Organizational Regulations of the Sustainable Development Committee".</li> <li>6. Revised certain provisions of the Company's "Procedures for Acquisition or Disposal of Assets".</li> <li>7. Approved the comprehensive election of directors.</li> <li>8. Approved matters related to convening the 2022 Annual General Meeting of Shareholders.</li> </ol>
2022.03.31	Board	<ol style="list-style-type: none"> <li>1. Approved the case for declaring the independence of Ernst &amp; Young certified accountants for 2021.</li> <li>2. Approved the company's 2021 annual business report, individual financial statements, and consolidated financial statements.</li> <li>3. Approved the 2021 surplus distribution statement.</li> <li>4. Approved the company's 2021 employee and director remuneration distribution proposal.</li> <li>5. Approved the 2021 surplus distribution cash dividend case.</li> <li>6. A list of candidates for directors (including independent directors) nominated by the board of directors</li> <li>7. Approved the proposal to lift the restrictions on non-competition for the new directors and their representatives in the company.</li> <li>8. Approved the proposal to add the reasons for convening the 2022 Annual General Meeting of Shareholders.</li> <li>9. Approved the evaluation of the receivables of the company and its subsidiaries for a certain period beyond the normal credit period.</li> </ol>



Date	Meeting Type	Description
		10. Approved the company's "Director and Manager Salary and Remuneration Management Measures" partially. 11. Approved the independent director's remuneration proposal. 12. Approved the manager's salary adjustment proposal.
2022.04.26	Board	1. Cooperate with the internal adjustment needs of Ernst & Young Certified Public Accountants and modify the certification accountant change proposal. 2. Examine the Fujian Taiming Casting Pipe Technology Co., Ltd. case of the cash capital expansion.
2022.05.12	Board	1. Approved the 2022 independence case for the CPAs at Ernest & Young 2. Approved the financial visa public fee case from the second quarter of 2022 to the first quarter of 2023 by Ernst & Young. 3. Approved the company's 2022 annual business plan.
2022.06.09	Shareholders	1. Approved the revision of some articles of the "Procedures for Acquisition or Disposal of Assets." 2. Approved the overall re-election of directors of the company. 3. Approved the proposal to lift the restrictions on non-competition for the new directors and their representatives in the company.
2022.06.09	Board	1. Mutual promotion of the chairman's case
2022.06.28	Board	1. Approved the appointment of the fifth salary and compensation committee of the company. 2. Approved the appointment of members of the first sustainable development committee of the company. 3. Approved the termination of the appointment of the company's manager, Fu, Xue-ren, as vice president.
2022.08.12	Board	1. Approved the evaluation of receivables of the company and its subsidiaries for a certain period beyond the normal credit period. 2. Approved the consolidated financial report for the second quarter of 2022. 3. Approved the appointment of directors and supervisors of Xiamen Kuoxin Century Technology Co., Ltd. 4. Approved the cancellation of the non-compete case against the company's managers. 5. Discussed the endorsement guarantee for the important subsidiary Kuo Yang Environmental Technology Co., Ltd.
2022.09.01	Board	1. Approved the Company's contribution to the subsidiary "Chien Yi Construction Co., Ltd.'s cash capital increase. 2. Approved the proposal for the subsidiary company, Kuo Chuang Engineering Co., Ltd., to obtain financing loans from O-Bank, with the Company acting as a joint guarantor to provide endorsement guarantee.

Date	Meeting Type	Description
2022.11.11	Board	<ol style="list-style-type: none"> <li>1. Approved the consolidated financial report for the third quarter of 2022.</li> <li>2. Approved the evaluation of the receivables of the company and its subsidiaries for a certain period beyond the normal credit period.</li> <li>3. Approved the company's 2021 director remuneration distribution proposal.</li> <li>4. Approved the company's 2021 manager employee compensation distribution proposal.</li> <li>5. Approved the company's 2023 annual audit plan.</li> <li>6. Approved the company's "internal material information evaluation procedures."</li> <li>7. Approved the revision of some articles of the Company's "Rules of Procedure for the Board of Directors."</li> <li>8. Approved the retrospective recognition of the subsidiary company, Kuo Chuang Engineering Co., Ltd., obtaining financing loans from Shanghai Bank East Kaohsiung Branch, with the Company acting as a joint guarantor to provide endorsement guarantee.</li> <li>9. Approved the retrospective recognition of the subsidiary company, Xiyu Desalination Co., Ltd., obtaining operational performance guarantee quota from Taiwan Cooperative Bank Sanmin Branch, with the Company acting as a joint guarantor to provide endorsement guarantee.</li> </ol>
2023.01.16	Board	<ol style="list-style-type: none"> <li>1. Approved the revision of some articles of the company's "Director and Manager Salary and Remuneration Management Measures."</li> <li>2. Approved the Company's 2022 manager year-end bonus distribution proposal.</li> <li>3. Approved the transfer case of the head of corporate governance.</li> <li>4. Approved the manager's salary adjustment case.</li> <li>5. Approved the evaluation of the receivables of the company and its subsidiaries for a certain period beyond the normal credit period.</li> <li>6. Approved the retrospective recognition of the subsidiary company, Kuo Chuang Engineering Co., Ltd., obtaining project performance guarantee financing from Shanghai Commercial Bank East Kaohsiung Branch, with the Company acting as a joint guarantor to provide endorsement guarantee.</li> </ol>
2023.02.14	Board	<ol style="list-style-type: none"> <li>1. Approved the proposal to dispose of the entire equity of Xiamen Kuoxin Century Technology Co., Ltd. or Marvel Line Co., Ltd., a subsidiary of the Company.</li> </ol>
2023.03.13	Board	<ol style="list-style-type: none"> <li>1. Approved the 2022 "Evaluation of the Effectiveness of the Internal Control System" and the "Statement of the Internal Control System."</li> <li>2. Approved the company's 2022 annual business report, individual financial statements, and consolidated financial statements.</li> <li>3. Approved the employee and director remuneration distribution proposal in 2022.</li> <li>4. Approved the re-election of directors and independent directors.</li> <li>5. A list of candidates for directors (including independent directors) nominated by the board of directors</li> <li>6. The case of lifting the restrictions on non-competition for the company's new directors and their representatives</li> <li>7. Approved the revision of some articles of the "Articles of Association."</li> <li>8. Approved the formulation of the company's "Sustainability Report Preparation and Verification Procedures."</li> <li>9. Approved the lifting of the non-compete case against the company's managers.</li> <li>10. To meet the needs of the internal adjustment of Ernst &amp; Young Accounting Firm, change the visa accountant case.</li> <li>11. Approved the Company's 2023 business plan.</li> </ol>

Date	Meeting Type	Description
2023.04.13	Board	1. Approved the 2022 surplus distribution statement. 2. Approved the 2022 surplus distribution cash dividend case. 3. Approved the proposal to add the reasons for convening the 2023 Annual General Meeting of Shareholders.

- (12) In the most recent year and as of the date of publication of the annual report, directors and independent directors have different opinions on important resolutions passed by the board of directors, and there are records or written statements: None.
- (13) Summary of the resignation and dismissal of the company's chairman, president, accounting supervisor, financial supervisor, internal audit supervisor, corporate governance supervisor, and R&D supervisor:

Summary table of resignations and dismissals of relevant persons in the company

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Vice president	FU, HSUE-REN	January 1, 1999	July 21, 2022	Retire
Corporate Governance Manager	WU, ZHI-CHENG	March 30, 2021	January 16, 2023	Replacement of Corporate Governance Manager

Note: The term "company related persons" refers to the chairman, president, 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 2022 Annual General Meeting:

Time	Acknowledgement	Execution Scenarios
2022.06.09	1. To approve the distribution of 2021 earnings (NT\$0.5 per share).	The ex-dividend and ex-rights allotment date has been set as November 8, 2022, and cash dividends will be paid on November 30, 2022.
	2. To amend "Articles of Incorporation".	Completed in compliance with the updated processes for trading assets.
	3. Proposal of Re-election of Directors	Re-election completed on June 9, 2022.
	4. Proposal to Lift the Newly Appointed Directors' and Their Representatives' Non-Compete Restriction	The decision's results have been followed.

#### IV. Information Regarding the Company's Audit Fee

##### (1) Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Audit Fee	Non-audit Fee (Note 1)	Total	Note
Ernst & Young Taiwan	HONG, KUO-SEN	LEE, FANG-WEN	2022	4,356	1,375	5,731	None

Note 1: The non-audit fees are mainly public fees for the 2022 tax report visa, 2022 transfer pricing report compilation, mainland support service fees, industrial and commercial service fees, 2021 financial report audit service fees, and business trips.

- (2) If the non-audit public fee paid to the certified accountant, the firm to which the certified accountant belongs, and its affiliated enterprises is more than a quarter of the audit fee, the amount of the audit and non-audit fee and the content of the non-audit service shall be disclosed: Note 1.
- (3) If the accounting firm is replaced and the audit fee paid in the replacement year is less than the audit fee in the previous year, the amount of audit fees before and after the replacement and the reasons shall be disclosed: None.
- (4) If the audit public fee has decreased by more than 10% compared with the previous year, the amount, proportion, and reason of the reduction shall be disclosed: None

#### V. CPAs Replacement:

##### (1) Regarding the former CPA

Replacement Date	From January 1, 2022 (Approved by the Board of Directors on April 26, 2022)
Reason for Change and Explanation	In order to meet the needs of Ernst & Young CPA internal rotation, from the first quarter of 2022, one of the company's CPA was replaced by accountant Huang, Shi-jie with accountant Hong, Kuo-sen
The appointment was terminated or not accepted by the appointor or accountant.	N/A
Audit reports other than unqualified opinions issued within the last two years	N/A
Opinion and reasons	N/A
Whether there is any disagreement with the issuer	N/A

##### (2) Regarding the successor CPA

Name of Firm	Ernst & Young
Name of Accountant	Hong, Kuo-sen, Lee, Fang-wen
Date of appointment	From January 1, 2022 (Approved by the Board of Directors on April 9, 2022)
Matters on which we have consulted prior to the appointment regarding the accounting treatment or accounting principles for specific	N/A

transactions and the possible issuance of opinions on financial reports and the results thereof	
Written opinion of the successor accountant on matters on which the predecessor accountant disagreed	N/A

- (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	2022		As of April 23, 2022	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairperson	Tung-Chuang Enterprise Co., Ltd. Rept.:HONG, YA-MAN	3,326,000	0	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.: LO, WEI-TZE	3,326,000	0	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.:PAN, REN-ZHI	3,326,000	0	0	0
Director	Tung-Chuang Enterprise Co., Ltd. Rept.:ZHOU, HUANG-TSAN	3,326,000	0	0	0
Independent Director	WANG, SEN-RONG	0	0	0	0
Independent Director	CHENG, SHUN-REN	0	0	0	0
Independent Director	WU , YAN-CHIU	0	0	0	0
President	HONG, YA-MAN	0	0	0	0
Vice President	DU, GUAN-CHEN	0	0	(118,784)	0
Vice President Governance Director	HUANG , FU-ZHEN	0	0	0	0
Accounting manager	HUANG, WEN-HUI	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	
HONG, HONG-CHANG	11,611,782	4.68%	10,760,544	4.34%	0	0%	JIANG, YU-LIAN HONG, YA-MAN	Spouse brother and sister	None
Tong Chuang Enterprise Co., Ltd. Rept.: HONG, YA-MAN	11,000,224	4.43%	-	-	0	0%	-	-	-
	19,261	0.01%	-	-	0	0%	HONG, HONG-CHANG YU-LIANG JIANG	brother and sister second degree of kinship	None
JIANG, YU-LIAN	10,760,544	4.34%	11,611,782	4.68%	0	0%	HONG, HONG-CHANG HONG, YA-MAN	spouse second degree of kinship	None
ZHOU, HUANG-TSAN	7,647,495	3.08%	-	-	0	0%	None	None	None
YE, CHIN-CHENG	3,964,329	1.60%	-	-	0	0%	YE, YAO-WEI YE, MEI-JUN	Father and son father and daughter	None
ZHU, CHIN-CHUAN	3,135,623	1.26%	-	-	0	0%	None	None	None
YE, YAO-WEI	3,006,417	1.21%	-	-	0	0%	YE, CHIN-CHENG	Father and son	None
J.P. Morgan Chase Bank Taipei Branch is entrusted with the safekeeping of the Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group.	2,995,514	1.21%	-	-	0	0%	-	-	-
J.P. Morgan Chase Bank Taipei Branch is entrusted with the custody of the series funds of Advanced Star Fund Company's Advanced Aggregate International Stock Index Fund Investment Account.	2,664,809	1.07%	-	-	0	0%	-	-	-
YE, MEI-JUN	2,650,064	1.07%	-	-	0	0%	YE, CHIN-CHENG	father and daughter	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.31,2022

Affiliated Enterprises	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 Kuo Toong Pipeline Ltd.	RMB	10,000,000	25.00%	-	-	10,000,000	25.00%
Xiyu 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 Ltd.	USD	1,546,000	10.42%	1,444,000	9.73%	2,990,000	20.15%
Kuo Yang Environment Technology Co., Ltd. (Note2)	Share	-	-	129,276,231	50.50%	129,276,231	50.50%
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%	45,000	0.10%	31,695,000	73.70%
Chien Yi Construction Co., Ltd.	Share	27,000,000	100.00%	-	-	27,000,000	100.00%
Marvel Line Co., Ltd.	Share	183,488	0.76%	23,897,211	99.24%	24,080,699	100.00%
Xiamen Kuoxin Century Technology Co., Ltd.	Share	-	-	91,000,000	91.00%	91,000,000	91.00%
Fujian Taiming Casting Pipe Technology Co. Ltd.	Share	132,250,705	22.68%	34,689,111	5.95%	166,939,816	28.63%
Yuan Steel Industrial Co., Ltd.	Share	2,000,000	4.55%	-	-	2,000,000	4.55%
Chimoto International Development Co., Ltd.	Share	3,000,000	18.07%	-	-	3,000,000	18.07%
Ting Teng Co., Ltd.	Share	88,165,650	50.50%	-	-	88,165,650	50.50%
Fujian Taiming Trading Ltd.	RMB	-	-	5,000,000	100.00%	5,000,000	100.00%
Linwu Taiming Pipe Casting Technology Ltd.	RMB	-	-	Note 1	-	Note 1	-
Xiamen Xiangyu Water Environmental Technology Engineering Ltd.	RMB	-	-	1,875,000	47.47%	1,875,000	47.47%
Xiamen Xiangyu Rural Environmental Ecology Technology Ltd..	RMB	-	-	650,000	30.86%	650,000	30.86%

Note 1: As of Dec. 31, 2022, the company has not received the investment amount.

Note 2: The shareholding of Kuo Yang is calculated based on the shareholding ratio of Tine Teng.



## 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
1997.07	1,000	93,600	93,600,000	93,600	93,600,000	Cash capital increase of NT\$21,600,000	None	1997.7.08 Eight six build two words Letter No. 75195 approved
1999.07	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 NT\$13,572,000 Cash capital increase of NT\$30,240,000	None	1999.8.20 Approved by (088) Commercial No. 088130969
2000.07	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	2000.7.18(89) TCC (1) No.62794 approved
2001.06	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	2001.6.28(90) TCC (1) No.141308 approved
2002.07	10	40,000,000	400,000,000	34,980,000	349,800,000	Transfer of surplus to capital of NT\$31,800,000	None	2002.7.18(91) Taiwan Finance Certificate (1) No. 0910140089 approved
2003.06	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	2003.6.19(92) Taishin Financial Certificate No.0920127148 approved
2004.07	10	80,000,000	800,000,000	60,000,000	600,000,000	Transfer of surplus to capital of NT\$143,900,000 Employee bonus to capital increase of NT\$6,300,000	None	2004.04.12 Approved by Taiwan Finance Certificate No. 0930112732
2005.02	10	80,000,000	800,000,000	60,255,715	602,557,150	Cancellation of treasury stock of NT\$3,720,000 Convertible bonds convertible into common stock NT\$6,277,150	None	Approved by letter No. 0930133355 dated July 19,2024.
2005.04	10	80,000,000	800,000,000	59,415,715	594,157,150	Cancellation of treasury stock NT\$8,400,000	None	2005.02.22 Jin-Guan-Zheng-Zi No. 0940106408 approved
2005.05	10	80,000,000	800,000,000	59,384,172	593,841,720	Cancellation of treasury stock of NT\$2,440,000 Convertible bonds convertible into common stock NT\$2,124,570	None	2005.04.29 Jin-Guan-Zheng-Zi No. 0940114672 approved
2005.10	10	80,000,000	800,000,000	60,294,172	602,941,720	Transfer of surplus to capital of NT\$7,100,000 Capital reserve to increase capital by NT\$2,000,000	None	2005.09.09 The letter No. 0940137937 of the first letter of Golden Administrative Certificate was approved.
2005.12	10	80,000,000	800,000,000	59,844,172	598,441,720	Cancellation of treasury stock of NT\$4,500,000	None	2005.12.23 Jin-Guan-Zheng-Zi No. 0940158276 approved
2007.04	10	80,000,000	800,000,000	66,844,172	668,441,720	Private Equity NT\$70,000,000	None	2007.4.20 is the payment completion date 2007.4.21 is the base date of capital increase
2007.10	10	80,000,000	800,000,000	66,856,440	668,564,400	Convertible bonds converted to common stock NT\$122,680	None	2007.8.30 is the base date for issuance of new shares
2008.12	10	80,000,000	800,000,000	70,199,262	701,992,620	Transfer of surplus to capital of NT\$33,428,220	None	Approved by letter No. 0970060119 dated 2008.11.11 from Jin-Guan-Zi No. 1
2009.03	10	100,000,000	1,000,000,000	90,479,262	904,792,620	Private Equity NT\$202,800,000	None	2009.4.21 Approved by the Letter No. 09801074470

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
2010.07	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, 2010
2010.10	10	150,000,000	1,500,000,000	119,317,603	1,193,176,030	Transfer of surplus to capital of NT\$88,383,410	None	2010.10.14 Approved by letter No. 09901230730
2011.05	10	150,000,000	1,500,000,000	120,746,574	1,207,465,740	Convertible bonds convertible into common stock NT\$14,289,710	None	2011.05.02 Approved by letter No. 10001081150
2011.08	10	150,000,000	1,500,000,000	123,215,002	1,232,150,020	Convertible bonds convertible into common stock NT\$24,684,280	None	2011.08.01 Approved by letter No. 10001173830
2011.09	10	150,000,000	1,500,000,000	123,453,163	1,234,531,630	Convertible bonds convertible into common stock NT\$2,381,610	None	2011.09.14 Approved by Letter No. 10001213130
2011.10	10	150,000,000	1,500,000,000	135,146,079	1,351,460,790	Transfer of surplus to capital of NT\$116,929,160	None	2011.10.13 Approved by the letter No. 10001235230
2012.01	10	150,000,000	1,500,000,000	135,423,466	1,354,234,660	Convertible bonds convertible into common stock NT\$2,773,870	None	2012.01.13 Approved by the Letter No. 10101008110
2012.04	10	150,000,000	1,500,000,000	135,745,451	1,357,454,510	Convertible bonds convertible into common stock NT\$3,219,850	None	2012.04.02 Approved by the letter No. 10101057570
2012.07	10	150,000,000	1,500,000,000	136,282,095	1,362,820,950	Convertible bonds converted to common stock NT\$5,366,440	None	2012.07.23 Approved by letter No. 10101147470
2012.08	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	2012.08.27 Approved by the letter No. 10101176380
2013.05	10	300,000,000	3,000,000,000	173,734,394	1,737,343,940	Convertible bonds convertible into common stock NT\$1,222,990	None	2013.05.06 Approved by letter No. 10201082610
2013.08	10	300,000,000	3,000,000,000	173,775,160	1,737,751,600	Convertible bonds converted to common stock NT\$407,660	None	2013.08.23 Approved by letter No. 10201172340
2013.11	10	300,000,000	3,000,000,000	184,804,573	1,848,045,730	Convertible bonds converted to common stock NT\$110,294,130	None	2013.11.28 Approved by the letter No. 10201239000
2014.02	10	300,000,000	3,000,000,000	186,957,483	1,869,574,830	Convertible bonds convertible common stock NT\$21,529,100	None	2014.02.20 Approved by the letter No. 10301030620
2015.11	10	300,000,000	3,000,000,000	215,082,483	2,150,824,830	Cash capital increase of NT\$281,250,000	None	2015.11.04 Approved by the Letter No. 10401232210
2016.10	10	300,000,000	3,000,000,000	225,836,608	2,258,366,080	Transfer of surplus to capital of NT\$107,541,250	None	2016.10.28 Approved by the letter No. 10501241940
2019.08	10	300,000,000	3,000,000,000	245,836,608	2,458,366,080	Cash capital increase of NT\$200,000,000	None	2019.09.05 Approved by the letter No. 10801122100
2019.11	10	300,000,000	3,000,000,000	249,224,157	2,492,241,570	Transfer of surplus to capital of NT\$33,875,490	None	2019.11.20 Approved by the letter No. 10801157850
2020.08	10	300,000,000	3,000,000,000	248,078,157	2,480,781,570	Cancellation of treasury stock NT\$11,460,000	None	2020.08.12 Approved by Letter No. 10901143310

## 2. Type of Stock

April, 23 2023 Unit: share

Share Type	Authorized Capital			Notes
	Issued Shares	Un-issued Shares	Total Shares	
Ordinary Shares	248,078,157	51,921,843	300,000,000	None

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

## (2) Status of Shareholders.

April, 23 2023 Unit: share

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Foreign Institutions & Natural Persons	Domestic Natural Persons	Total
Number of Shareholders	2	0	184	90	52,016	52,292
Shareholding (shares)	1,652,467	0	15,907,206	15,422,648	215,095,836	248,078,157
Percentage	0.67%	0.00%	6.41%	6.21%	86.71%	100.00%

## (3) Shareholding Distribution Status:

2023, April 23

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1-999	31,770	1,780,778	0.72%
1,000-5,000	15,205	31,730,917	12.79%
5,001-10,000	2,540	19,781,003	7.97%
10,001-15,000	864	10,900,430	4.39%
15,001-20,000	557	10,293,215	4.15%
20,001-30,000	473	12,018,233	4.85%
30,001-40,000	237	8,522,210	3.44%
40,001-50,000	155	7,217,202	2.91%
50,001-100,000	261	18,531,809	7.47%
100,001-200,000	130	18,039,720	7.27%
200,001-400,000	42	11,433,284	4.61%
400,001-600,000	27	13,483,619	5.44%
600,001-800,000	5	3,226,842	1.30%
800,001-1,000,000	1	852,808	0.34%
1,000,001 以上	25	80,266,087	32.35%
Total	52,292	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.

2023, April 23

Shareholder's Name	Shares	Ratio
HONG, HONG-CHANG	11,611,782	4.68%
Tong Chuang Enterprise Co., Ltd.	11,000,224	4.43%
JIANG, YU-LIAN	10,760,544	4.34%
HUANG, CHAO-CHU	7,647,495	3.08%
YEH, CHIN-CHENG	3,964,329	1.60%
ZHU, CHIN-CHUAN	3,135,623	1.26%
YE, YAO-WEI	3,006,417	1.21%
J.P. Morgan Chase Bank Taipei Branch is entrusted with the safekeeping of the Van Gard Emerging Market Stock Index Fund investment account of the manager of Van Gard Group.	2,995,514	1.21%
J.P. Morgan Chase Bank Taipei Branch is entrusted with the custody of the series funds of Advanced Star Fund Company's	2,664,809	1.07%

Advanced Aggregate International Stock Index Fund Investment Account.		
YE, MEI-JUN	2,650,064	1.07%

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

Unit: NT\$

Item \ Year		2021	2022	As of March 31, 2023 (Note 6)
<b>Market Price per Share</b> (Note 1)	Highest Market Price	42.25	24.30	32.70
	Lowest Market Price	19.85	16.60	21.25
	Average Market Price	31.14	21.60	28.94
<b>Net Worth per Share</b> (Note 2)	Before Distribution	19.35	21.60	22.31
	After Distribution	18.85(Note7)	20.60(Note7)	21.31(Note 7)
<b>Earnings per Share</b>	Weighted Average Shares (in thousands)	248,078	248,078	248,078
	Earnings per Share	1.81	2.52	0.69
<b>Dividends per Share</b>	Cash Dividends	0.50	1(註 7)	1(Note 7)
	Stock Dividends	Dividends from Retained Earnings	— (Note 7)	— (Note7)
		Dividends from Capital Surplus	— (Note 7)	— (Note 7)
	Accumulated Undistributed Dividends	—	—	—
<b>Return on Investment</b>	Price / Earnings Ratio (Note 3)	17.20	8.57	41.94
	Price / Dividend Ratio (Note 4)	62.28	21.60	28.94
	Cash Dividend Yield Rate (Note 5)	1.61%	4.63%	3.46%

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: 2023.4.13 The Board of Directors approved the cash dividend of \$1 per share from the undistributed earnings for 2022, which will be presented to the shareholders' meeting on 2023.6.21.

(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 Apr.13, 2023, the Board of Directors resolved to distribute cash dividends for fiscal 2022 and submitted the resolution to the shareholders' meeting on June 21, 2023. The appropriation of earnings for 2022, 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		326,252,666	
Change in the current period in the remeasurement of the defined benefit plan	13,796,309		
B Adjustments to unappropriated earnings at the beginning of the period		340,048,975	
C Net income after tax for the period		625,146,165	
D Provision of statutory surplus		(63,894,247)	Note 1
Reversal of previous years and provision of a special surplus reserve		43,650,784	Note 2
E Available for allocation surplus		944,951,677	
Assigned Items			
F Shareholders' bonuses - cash	(248,078,157)		Note 3, 4
Total number of allocated items		(248,078,157)	
G Unallocated surplus at the end of the period		696,873,520	

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

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used as the basis for the legal reserve, and the current net income after tax of NT\$625,146,165 plus the remeasurement of the defined benefit plan. The change in the current period NT\$13,796,309 multiplied by 10% resulted in a provision of NT\$63,894,247 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 NT\$205,903,494, less the special reserve of NT\$249,554,278, which should be reversed to NT\$43,650,784 as earnings available for distribution for the year.
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.
4. Based on 248,078,157 shares outstanding as of the day before the board meeting, cash dividends of NT\$1 per share, i.e., NT\$1,000 per thousand shares, will be paid in the amount of NT\$248,078,157.

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

(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, 2022, 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 of Directors approved the distribution of remuneration in the following circumstances:

- (1) The amount of cash or equity compensation given to employees, as well as the pay for directors and managers. The disparity, reason, and treatment must be declared if there is any difference from the expected amount of recognized expenses for the year:

The business's board of directors decided to pay out NT\$20,678 thousand in cash as employee compensation and NT\$16,294 thousand as director compensation, respectively, with a difference of NT\$0 thousand from the anticipated cost of the company.

- (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, 2023 to distribute all

employee compensation in cash, so it is not applicable.

4. The actual distribution of the compensation for employees, directors, and supervisors during the previous year (including the number of shares distributed, the amount, and the stock price), as well as any differences in compensation that have been identified for employees, directors, and supervisors, must be disclosed:

In the previous year, the actual distribution of employee and director compensation was NT\$11,799 thousand and cash NT\$5,899 thousand, respectively. This difference was NT\$0 thousand less than the expected amount of the company's expenses.

(9) Buyback of Treasury Stock:

There were no repurchases of the Company's shares in 2022 and up to the date of printing of the annual report.

## II. Corporate bonds (including overseas corporate bonds)

(1) Corporate Bonds

2023 Apr. 23

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
Consignee (Note 4)		Taipei Fubon Bank
Underwriting institution		Taiwan Bank Securities Co., Ltd.
Certified lawyer		Far East United Law Firm QIU, YA-WEN Lawyer
CPA		Ernst & Young HUANG, SHIH-CHIEH 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	Amount of converted (exchanged or subscribed) ordinary shares, overseas depositary receipts, or other securities as of April 23, 2022	N/A



	<b>Issuance and conversion (exchange or subscription) method</b>	Slightly
	<b>Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity</b>	None
	<b>Transfer agent</b>	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 has received a notification letter with reference number 1122W00000300 from Jih Sun International Commercial Bank Co., Ltd., stating that the bank has obtained regulatory approval for its merger with Taipei Fubon Bank. The effective date of the merger is April 1, 2023, and Taipei Fubon Bank will be the surviving entity after the merger. As a result of the merger, the trustee of the Company's issued Secured Corporate Bonds B9A402 in 2022 has changed to "Taipei Fubon Bank" as of the merger effective date.

(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 preferred 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: NT\$ 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 NT\$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 NT\$281 thousand in 2022 and NT\$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	
	2022	2021
Merchandising	35.73%	56.01%
Contracting	44.26%	34.25%
Marine Freshwater and Wastewater Treatment	8.12%	6.03%
Other	11.89%	3.71%
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) Large-sized propulsion 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-sized propulsion steel pipe (WSP).

## (2) Industry Overview.

### (1) Current Status and Future Development

The primary business focus of Kuotong Group at the moment is the design, production, marketing, and installation of massive water transmission and distribution pipelines. The major items are various kinds of pipes, including steel, ductile cast iron, concrete, and steel pipes and parts. constructing and maintaining pipelines Xiyu Seawater Desalination Co., Ltd. (hereinafter referred to as Xiyu Company), Jiema International Co., Ltd. (hereinafter referred to as Jiema Company), Kuoyang Environment Technology Co., Ltd. (hereinafter referred to as Kuoyang Company), Kuoxin Technology Co., Ltd. (hereinafter referred to as Kuoxin Company), Chien Yi Construction Co., Ltd. Xiamen Kuoxin Century Technology Co., Ltd. (along referred to as Xiamen Kuoxin Company) and Kuo Toong International LLC. Among them, Xiyu Company and Kuochuang Company focus primarily on tap water operation and piping engineering; Kuo Yang Company concentrates primarily on the development and operation management of urban sewage sewer systems (including treatment plants, pipelines, and user takeover); Xiamen Kuoxin Company concentrates primarily on the design, research and development, manufacture, and wholesale of sewage treatment equipment and materials, etc. Investment businesses include Jiema Company, Qisuo Company, and Kuo Toong International L.L.C. As a result, the company and its subsidiaries (referred to as the Group or Guotong Group below) provide the following industry overview of their key products:

#### 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.

Water purification treatment :

(A) 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.

(B) 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%.

(C) 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, No. 2 raw water pipeline of Liyutan on the north side, and Dajiayi water pipeline project on the south side (combined contracts) (2023-2026)	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.	3,057,558

Project	Summary	Total budget
Backup Mobilization Trunking Project (2021-2025)	<p>In recent years, water demand has been growing in various regions of Taiwan due to industrial upgrading and the return of Taiwanese firms. 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 pipes should be undertaken to satisfy the water needs of industrial development in a timely manner.</p> <p>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.</p> <p>The main tasks include:</p> <ol style="list-style-type: none"> <li>1. Shulin District Zhongzheng Road and Da'an Road Pipeline Project.</li> <li>2. Sanxia Hengxi Jiaxing water conduit bridge project.</li> <li>3. Piping works from Fuzhou booster pump station to Banxin plant.</li> <li>4. Double-line project from Danan system to Guishan/Linkou.</li> <li>5. Backup pipeline works at Paochong Road, Hsinpu Township.</li> <li>6. Liyutan second water delivery pipe project.</li> <li>7. Ring and buried trunk pipe project at Fengyuan Avenue.</li> <li>8. Burial of pipelines under the overhead corridor of the Taichung elevated railway.</li> <li>9. Water supply district No. 3 Xiangshun Road water delivery piping project.</li> <li>10. Yunlin to Chiayi system water mains backup double line project.</li> <li>11. Gangshan to Beiling booster pump station backup trunk main works.</li> <li>12. Xipu and Daquan Subsurface Water Supply Pipeline Project.</li> <li>13. Qijin District Second Cross-Harbor Water Supply Pipeline Project.</li> <li>14. Tunggang River to Fengshan Reservoir cushion pool diversion pipe project.</li> <li>15. Tunggang River to Fengshan Reservoir Sinyuan section diversion pipe project.</li> <li>16. Double-line project from Macacukes downstream of Mudan Plant to Kuangfu Bridge.</li> <li>17. Double-line project from Sizhong River downstream of Mudan Plant to Tongpu.</li> </ol>	14,500,000
Da'an Dajia River Water Joint Transmission Project (2021-2031)	<p>The main sources of public water supply in the Taichung area are the Liyutan Reservoir in the Da'an River and the Shihgang Dam in the Dajia River. However, the Liyutan Reservoir has limited water supply capacity due to a single outlet and a single raw water pipeline. After the 921 earthquake, the Dajia River experiences high turbidity during typhoon and flood events, and the Fengyuan Water Treatment Plant is unable to expand its capacity due to land constraints, resulting in limited water supply capacity from the Shihgang Dam. To address the high water shortage risk in the Taichung area and provide a stable supply of high-quality water, measures are being taken.</p> <p>The main works include:</p> <ol style="list-style-type: none"> <li>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</li> <li>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.</li> </ol>	11,600,000

Project	Summary	Total budget
Shimen Reservoir to Hsinchu Unicom Project (2022.1~2026.12)	<p>The raw water backup from Shihmen Reservoir in the Hsinchu area is 300,000 CMD, stabilizing the backup water supply during the drought in the area, substantially reducing the risk of a water shortage there, enhancing the stability of the regional water supply, encouraging industrial investment, promoting industrial development, and maintaining the quality of life for the populace.</p> <p>Main project content:            φ2000mm water delivery pipeline (tunnel section, open cut section, push pipe section and water pipe bridge), adjustment pool, valves, electromechanical and monitoring facilities, etc.; the total length of the pipeline is 25,029m.</p>	7,363,000
Underwater Water Development Project Phase II (2022~2026)	<p>In order to stabilize the regional water supply, meet the water demand, and reduce the risk of water shortage during periods of high raw water turbidity, this plan will continue to promote the implementation of the plan in areas with underground water development conditions according to local conditions and increase the water intake by 250,000 tons per day to achieve enhanced water resource utilization. Maintain regional water supply stability and other goals.</p> <p>Main project content:            1. The "Youloxi Subsurface Water Project" increased water volume by 40,000 tons per day.            2. The "Da'an River Subsurface Water Project" increased water volume by 50,000 tons per day.            3. The "Wuxi Underlying Water Phase III Project" increased water volume by 60,000 tons per day.            4. The "Lau Nong River Underflow Water Project" increased water volume by 100,000 tons per day.            These are the four main projects.</p>	2,895,000

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" on period 2017 to 2025, 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.

Extreme weather conditions may become a long-term situation. 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.

Additionally, the Water Resources Department wants to construct a new Yunlin Mailiao Desalination Plant with a daily water supply of 100,000 tons when the Hsinchu Emergency Desalination Plant is finished, which is anticipated to be finished next year. Five other plants will be built in Taoyuan, Hsinchu, Chiayi, Tainan, and Kaohsiung as part of future plans. By 2025, the desalination plant will be able to supply an additional 407,000 tons of water, which would amount to 455,000 tons of fresh water per day in Taiwan.

The growth and development of the pipe manufacturing and packing industries will be supported by the government's ongoing promotion of public water resource projects.

### 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 our country, 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 97%, 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. Currently, reverse osmosis membrane treatment processes are used to address issues such as seawater desalination.

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 NTD/m<sup>3</sup>. 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 – Kuo Toong Penghu 3000CMD Desalination Plant", "Promote the participation of Penghu Xiyu 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, on July 1, 2022, the environmental impact assessment was approved. The essential operations of "Supplementary Investigation and Preliminary Operation of Tainan Seawater Desalination Plant" and "Investigation and Review of Surrounding and Underwater Cultural Assets of Tainan Seawater Desalination Plant" are currently anticipated to be carried out in 2024. In the future, "desalination of sea water" will continue to be one of the most crucial sources of water supply.

Desalination plants currently in operation in Taiwan

Plant	Design water output (m <sup>3</sup> /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	counted in Unit One
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	110.04.07 enable	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	under construction	Taiwan Water Corp	4.81(budget)
Wangan Seawater Desalination Plant (Note 5)	400	Domestic water	Reverse osmosis	101.07	Taiwan Water Corp	0.32
Xiyu Brackish Groundwater Desalination Plant (Note 6)	1,200	Domestic water	Reverse osmosis	91.05	Taiwan Water Corp	0.18
Cimei Brackish Groundwater Desalination Plant (Note 6)	1,000	Domestic water	Reverse osmosis	90.11	Taiwan Water Corp	0.36
Baisha Brackish Groundwater Desalination Plant (Note 6)	1,200	Domestic water	Reverse osmosis	92.12	Taiwan Water Corp	0.16
Chenggong Brackish Groundwater Desalination Plant (Note 6)	4,000	Domestic water	Reverse osmosis	93.02	Taiwan Water Corp	0.29

Plant	Design water output (m <sup>3</sup> /day) Design water output (m <sup>3</sup> /day)	Water use	Desalination	Completion time (year& month)	Operated and managed by	Amount invested
	(cu m/day)	Marked	Technology			(NT\$ 100 million)
Jiangjyun Brackish Groundwater Desalination Plant (Note 6)	180	Domestic water	Reverse osmosis	93.12	Taiwan Water Corp	0.08
Xiyu Seawater Desalination Plant	750	Domestic water	Reverse osmosis	101.11	Taiwan Water Corp/15-yr BOT by Company	1.65
Tongpan Seawater Desalination Plant (Note 8)	100	Domestic water	Reverse osmosis	104.07	Penghu County Government	0.12
Hujing Seawater Desalination Plant (Note 8)	200	Domestic water	Reverse osmosis	103.11	Penghu County Government	0.24
Huayu Seawater Desalination Plant (Note 11)	50	Domestic water	Reverse osmosis	107.8.23	Constructed by: Penghu County Government / Kuo Chuang Construction Containerized Seawater Desalination Unit Managed by:	0.025
Four Islands of Southern Penghu (Dongji, Dongyuping)(Note16)	23+23	Tourism / domestic	Reverse osmosis	107.01.06 出水	Marine National Park Headquarters/awarded to Sheng Ho	0.35
Kinmen Seawater Desalination Plant (Note 9)	4,000	Domestic water	Reverse osmosis	107.10	Kinmen County water treatment plant	3.11
Nangan (Phase 1) Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	105.1	Lianjiang County water treatment plant	0.69
Dongyin Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	105.1	Lianjiang County water treatment plant	1.20
Beikan Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	105.1	Lianjiang County water treatment plant	1.02
Nangan (Phase 2) Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	105.1	Lianjiang County water treatment plant	0.56
Xiju Seawater Desalination Plant (Note 7)	500	Domestic water	Reverse osmosis	105.1	Lianjiang County water treatment plant	1.05
Nangan (Phase III) Seawater Desalination Plant	950	Domestic water	Reverse osmosis	99.09	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	109.11~110.5	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	109.11~110.5	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	110.03~110.7	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	under construction	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	under construction	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., Ltd.

Notes:

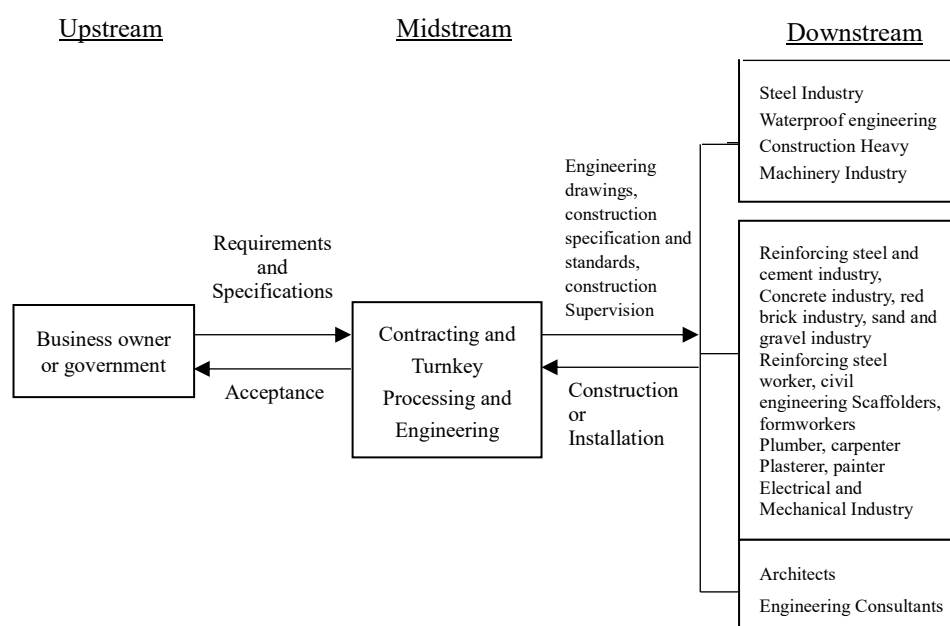
1. The Chienshan Power Plant is unable to provide two units for water production at the same time due to insufficient steam capacity in the desalination equipment, so the two units operate in rotation to produce water.
2. The Tashan Power Plant does not produce water due to repair to the failure of the desalination equipment and the low local load that prevents it from meeting production conditions.
3. From 2012, "Wukan Seawater Desalination No. 1 Plant" and "Wukan Sea Water Desalination No. 3 Plant" under construction were merged into "Magong No. 1 Seawater Desalination Plant 10,000 CMD Seawater Desalination Plant", which expired on March 30, 2028.
4. In 2012, the name of "Wukan Seawater Desalination Plant II" was changed to "Magong First Seawater Desalination Plant 3,000 CMD Seawater Desalination Plant". In July 2019, it won the case of "Desalinated Water Purchasing for Adding a 3,000-ton Desalination Unit Factory in Penghu" again, and the operation period continued for 4 years. The desalination plant stopped producing water when the contract expired on February 13, 2023.
5. "Wang'an Seawater Desalination Plant" was rebuilt and completed in July 2012.
6. Five brackish water desalination plants, including Xiyu, Qimei, Baisha, Chenggong, and Jiangjun, were renamed salt well desalination plants.
7. Refurbished by G&F Environmental Technology Co., Ltd. in 2015.
8. For seawater desalination equipment such as Tongpan and Hujing, G&F Environmental Technology Co., Ltd. obtained maintenance work in 2015 and carried out equipment improvements.
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 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. Kuo Chuang Company 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 won the bid on 2020.11.16 and completed the test run on 2021.01.31 with a water discharge of 3000 cm<sup>3</sup>. The water discharge was completed 66 days after the signing of the ultra-short construction period. The operation period is from 2021.02 to 2021.06. It is expected to resume operation on April 15.
13. Huimin Environment Tech Corp. was awarded the 6,000 CMD contract and Kenmec Mechanical Engineering Co., Ltd. the 4,000 CMD contract.
14. Shanlinshui Environmental Engineering Co., Ltd. won the bid on April 08, 2021 and is expected to produce water by the end of 2022. On March, 2023, it was under construction and had not yet officially released water.
15. Huimin Environment Tech Corp. gets 10,000 CMD, and mountains, forests, and waters get 3,000 CMD. On April, 2023, it is expected to move to Kaohsiung Xingda Port to produce water.
16. At 17:00 on August 10, 2021, a new 24 CMD unit was added, with a total capacity of 44 CMD.

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

### A. Desalination, water treatment projects

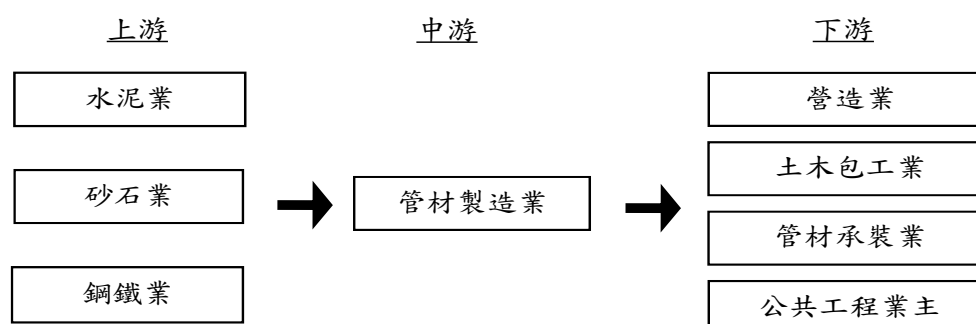
The construction of seawater desalination plants, water purification plants, and sewage treatment plants are mostly tendered in the "turnkey" mode in accordance with the contracting characteristics of government public works organizers. The upstream, midstream, and downstream linkages of the industry 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 purification treatment: the development of Taiwan's tap water treatment facilities in the early 1990s, the general contractor provided various treatment processes to replace the early traditional facilities. Because the characteristics of Taiwan's rivers and water sources were not fully considered, some of them were successfully used abroad. The same effect cannot be exerted because, because the 921-earthquake caused great changes in the raw water quality of most rivers, the owners of all turnkey projects recently completed have established detailed facility

establishment standards and adopted strict qualification examinations. Although the manufacturer's profit margin has decreased, the failures or unreasonable low-price bid competitions that can be attributed to the manufacturer's factors have also been relatively reduced. In addition, the government implements environmental protection policies and gives priority to improving the water quality of 11 major rivers and maintaining the water quality system in the water source area. This will benefit the subsequent development of water treatment projects.

2. Sewage treatment: In addition to various projects run by the government itself, the government has planned dozens of systems in order to accelerate the penetration rate of sewage and sewers in our country. operate. In terms of construction of the sewage sewer system, the user takeover project in the completed area of the sewage plant will be continuously handled, and the sewage plant, main and secondary trunk pipes, branch pipes and connecting pipe network of the new system will be constructed simultaneously.
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 Taiwan'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 Taiwan 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 Toufen 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, Kuo Yang 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 capable of simultaneously producing large-diameter concrete pipes, steel-lined pre-stressed concrete pipes, steel pipes, and ductile cast iron pipe products in China.

- (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) Steel pipe for propulsion (WSP), which can be used for main water pipes.
- (F) The flexible pipe is a product developed by the group. It is a special pipe that can be used in pipelines with large subsidence or changes. There are few manufacturers in the market, so it has a very competitive advantage in products and a wide range of applications. There is still plenty of room for development in the market, and it has become a highly competitive product of the group.

#### 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. Due to the continuous improvement of membrane technology, the cost of water production is decreasing. In addition, the increasing scale of seawater desalination plants further contributes to the declining unit cost of water production. As a result, future industrial competitiveness will depend on effective cost control measures. The competitive advantages of the Group are as follows:

- (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 became 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, winding machine automation, spraying machine automation, measurable axial force resistant steel pipe joint patents, PCCP design stylization, axial force pipe joint patents, Compensation type flexible pipe joint patent, compound angle flexible pipe joint patent, flexible pipe balanced dynamic water test platform patent, flexible socket plug steel pipe patent, steel pipe hanging device new patent application, manhole cover improved structure patent, Patents for combination-free bolt-type flexible pipes
- 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
- (G) Improvement of energy efficiency and optimization of production technology for centrifugal casting pipes
- (H) Production equipment automation
- (I) Propulsion steel pipe (WSP) for socket-type waterways
- (J) Zinc anti-corrosion coating is sprayed outside the cast pipe.
- (K) Pipe automatic welding equipment
- (L) Research and 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	2022	As of March 31, 2023
Research and development costs	29,829	8,334
Operating income	3,791,723	763,838
Percentage of operating revenues	0.79%	1.09

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.

Item	Year	R&D Results	Applications	Benefits
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 bio fermenter	Suitable for anaerobic digestion of organic wastewater and organic biological sludge with high concentration or aerobic biological treatment of difficult to degrade	The acidification and methanation bacteria are treated in a complex anaerobic digester with a controlled hydraulic layout to achieve high efficiency in both phases. This approach saves land requirements and initial setup costs, while also facilitating easier operation and maintenance of the anaerobic system.
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.
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.

Item	Year	R&D Results	Applications	Benefits
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.
16	2022	Combination-free bolt type flexible pipe	Steel pipes for pipeline construction	The transmission pipe may be damaged or leak due to factors such as earthquakes, stratum changes, and shifts, so flexible pipes can be used to absorb the vibration and pipeline deviation.

#### (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 NT\$1,885,712 thousand for domestic sales and NT\$1,822,599 thousand for external sales in 2020, NT\$2,713,236 thousand for domestic sales and NT\$1,907,799 thousand for external sales in 2021, NT\$2,936,617 thousand for domestic sales and NT\$855,106 thousand for external sales in 2022. The distribution is shown as follows:

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

Unit: NT\$ thousands

Area \ Year		2020		2021		2022	
		Amount	%	Amount	%	Amount	%
TW	N	957,404	25.82	855,035	18.50	1,080,154	28.49
	C	660,812	17.82	482,286	10.44	572,511	15.10
	S	267,496	7.21	1,375,915	29.78	1,283,952	33.86
	E	-	0.00	-	0.00	-	0.00
Export		1,822,599	49.15	1,907,799	41.28	855,106	22.55
<b>Total</b>		<b>3,708,311</b>	<b>100.00</b>	<b>4,621,035</b>	<b>100.00</b>	<b>3,791,723</b>	<b>100.00</b>

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

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

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. The products of the rest of the companies are mostly different from those of the Group, and most of the companies that produce similar products are privately held and do not have uniformly disclosed information. Therefore, it is difficult to obtain data on market share and make comparisons.

#### 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, set up scheduling backup main pipelines, modernizing water treatment plants to 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 LOdong Weir in Yilan, the second phase of the water supply improvement project in the Bangsin area, the stabilization and improvement of water supply facilities and main pipelines related to water diversion, and a total of 17 backup pipelines of other public projects in the northern, central, and southern regions. 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 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 are actively promoting the construction of a 200,000-ton seawater desalination plant in Tainan and a 100,000-ton seawater desalination plant in Hsinchu. With the situation of extreme climate change worldwide, the development and utilization of seawater desalination resources is urgent.

Kuo Toong is also actively expanding overseas. The containerized unit of the Hualien Seawater Desalination Plant has obtained the first containerized seawater desalination project, and the second containerized unit has also played a role in stabilizing water supply in the Nanliao Emergency Seawater Desalination Project in Hsinchu in February 2021. The containerized seawater desalination module's convenience and rapid construction are conducive to the development of international business.

## (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 cooperates with industrial development to build dedicated water purification plants in newly established science and professional parks. Additionally, in response to changes in the trend of population concentration, the



upgrading and expansion of existing water purification plant equipment is also an important goal of the government. 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

The products produced by our group require accumulated product experience. 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 and new pipes, introduce new manufacturing technologies and specifications, enhance factory production capabilities, create new markets, improve manufacturing quality, and be able 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. In the sewage treatment field, the construction of the "Zhunan Toufen" and "Houlong" water recycling centers has also been completed. 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 and Important Uses of Main Products.

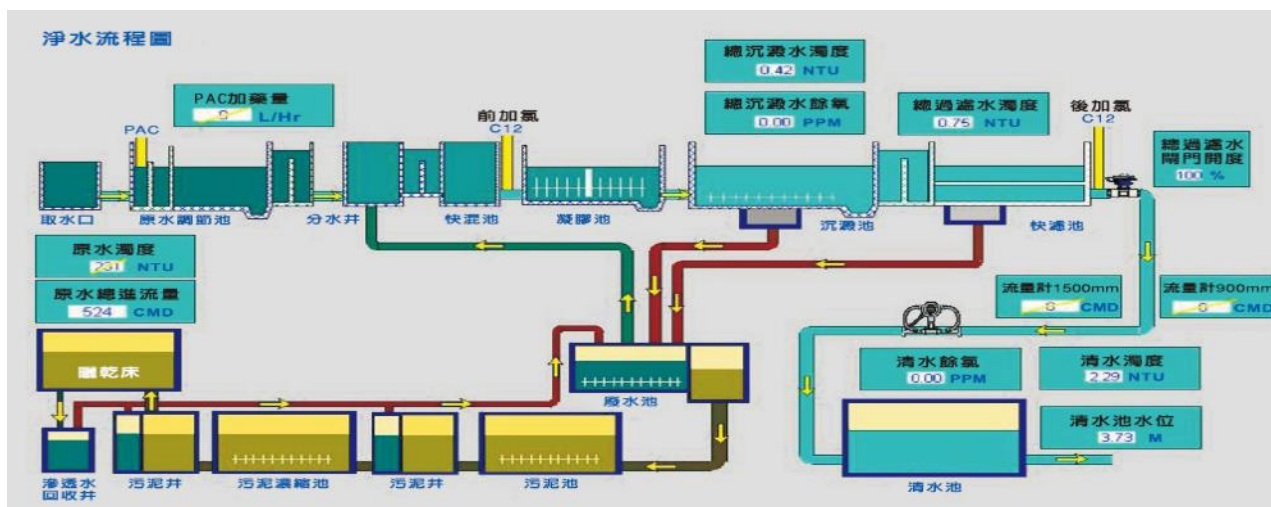
#### 1. Major Products and Their Main Uses.

Major Products	Main Uses
Concrete pipes (including concrete pipes, steel-lined prestressed concrete pipes, non-steel-lined prestressed concrete pipes, concrete pipes for jacking)	Concrete pipes are suitable for water, industrial water, waste water, rainwater and other pipelines. Among them, the concrete pipe for jacking is designed specifically for jacking 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 jacking and pressure pipeline construction using the jacking method.
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 jacking	It is suitable for water, rainwater, sewerage, and all kinds of water resource transportation pipes using jacking method.
Polyethylene covered steel pipe	All kinds of chemical, gas, petroleum, water treatment, water pipeline, sewage pipeline, fire protection pipeline, corrosive liquid transmission pipeline, 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.
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## 2.Product Manufacturing Processes

### A. Water treatment process







Zhunan Toufen Water Reclamation Centre



Hushan Water Treatment Plant



Houlong Township Water Reclamation Centre, Miaoli County





Project for Construction of Water Resources Utilization Model Plant in the Tidal Reach of the Tsengwen River in 2022.

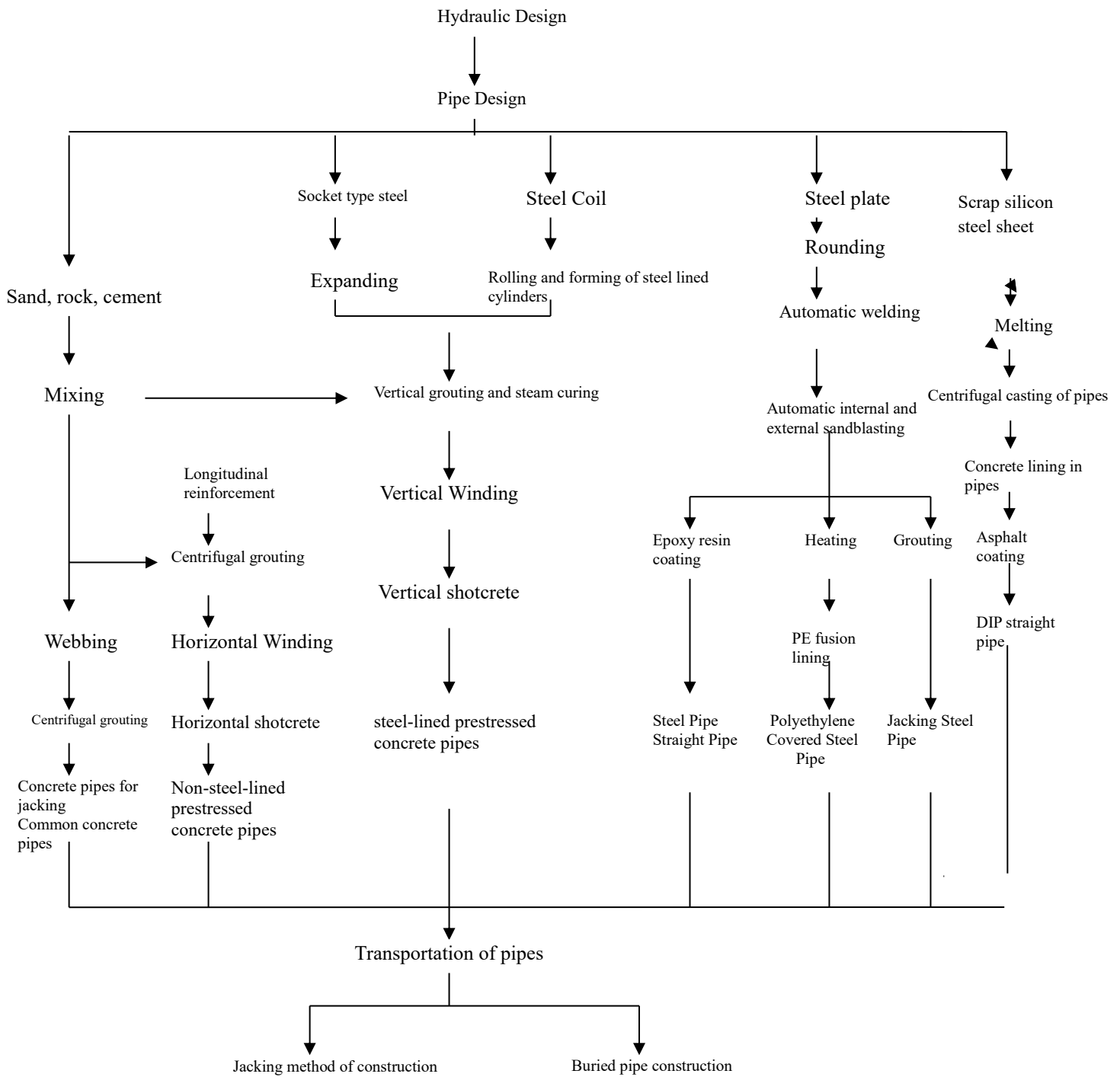




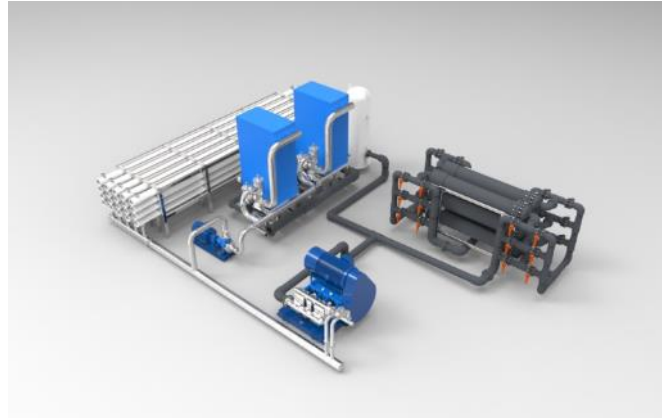
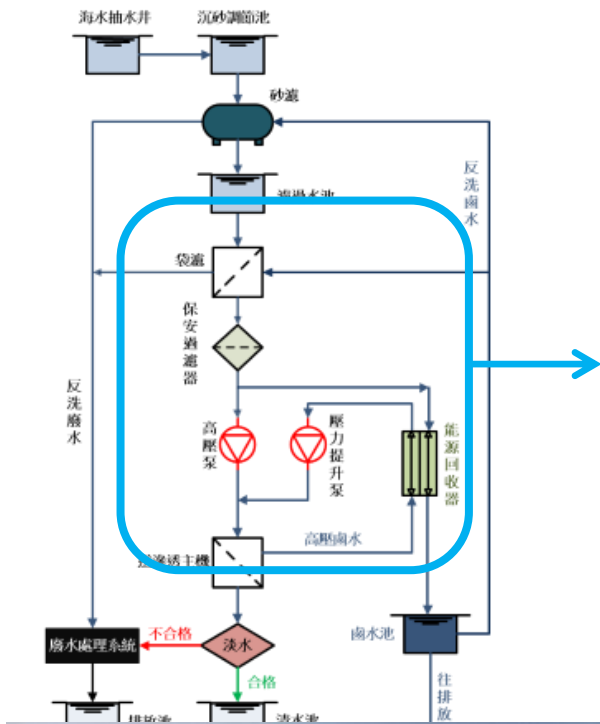
Emergency Water Supply Project for Linbian Water Treatment Plant in 2022



## B. Manufacture and Installation of Pipes

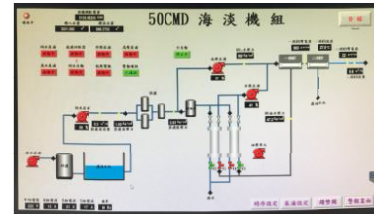


### C. Desalination of seawater



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

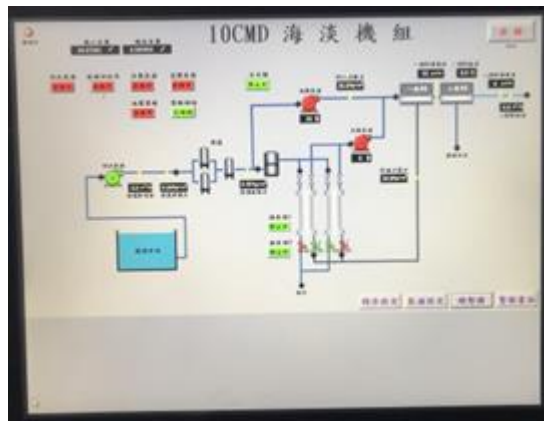




Daikinmen 4000CMD desalination plant has been completed.



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



The 10CMD small desalination unit has entered the trial operation phase.





Kuo Toong mobile desalination unit



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



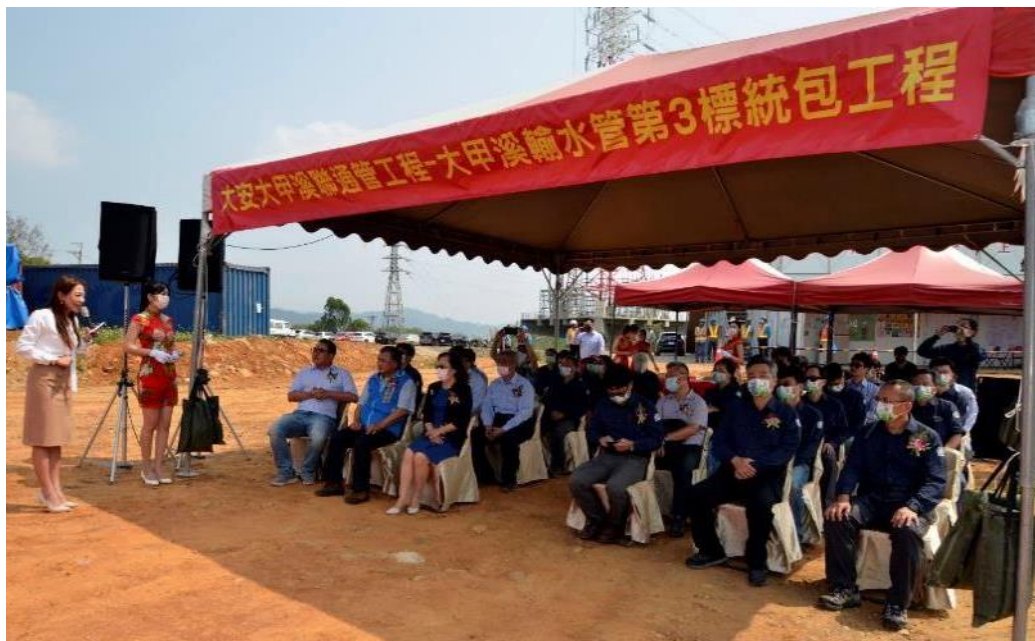


Water production and delivery facilities



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.



Groundbreaking Ceremony for the Dajia Connecting Pipe Project - Contract 3 of the Dajia River Water Conveyance Project on April 12, 2023

### (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 from numerous suppliers, ensuring a normal supply situation.
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 in-house by the Company, while the rest of the raw materials are supplied by domestic manufacturers and are readily available.

#### (4) Major Suppliers.

##### 1. Major Suppliers in the Last Two Years

Unit: NT\$ thousands

Item	2021				2022				As of the end of the previous quarter of 2023			
	Company Name	Amount	Percentage of Annual Net Purchases	Relation with Issuer	Company Name	Amount	Percentage of Annual Net Purchases	Relation with Issuer	Company Name	Amount	Percentage of net purchases as of the end of the previous quarter for the current year	Relation with Issuer
1	Yongan Dingxin Casting Co., Ltd.	505,470	18.08%	None	Kao Kun Construction Co., Ltd.	253,407	12.12%	None	Kao Kun Construction Co., Ltd.	42,540	12.86%	None
2									Shye Shenq Trade Co., Ltd.	41,240	12.46%	None
	Others	2,290,145	81.92%	-	Others	1,836,974	87.88%	-	Others	247,117	74.68%	-
	Net Total Supplies	2,795,615	100.00%		Net Total Supplies	2,090,381	100.00%		Net Total Supplies	330,897	100.00%	

##### Explain the reason for the change:

- (1) The increase in the purchase amount of Kao Kun Construction Co., Ltd. in 2022 compared to 2021 is mainly due to the increased monthly billing amount based on project progress in 2022.
- (2) The purchase amount of Yongan Dingxin Casting Co., Ltd. in 2022 decreased compared to 2021. This was mainly due to the fact that our subsidiary, Fujian Taiming Cast Pipe Technology Co., Ltd., changed its supplier of pig iron raw materials to the subsidiary Yongan Zhongdingxin Casting Material Technology Co., Ltd. in 2022. In addition, as we lowered our shareholding in Fujian Taiming Casting Pipe Technology Co., Ltd. from May 2022 and no longer consolidated it into the financial statements, only the purchase amounts from January to April were recognized.
- (3) In the fiscal year 2022, the Group had numerous subcontractors and raw material suppliers, with the exception of Kao-Kuen Construction Co., Ltd., no other supplier accounted for more than 10% of the total net purchases for the year.

##### 2. Major Clients in the Last Two Years

Unit: NT\$ thousands

Item	2021				2022				As of the end of the previous quarter of 2023			
	Company Name	Amount	Percentage of Annual Net Sales	Relation with Issuer	Company Name	Amount	Percentage of Annual Net Sales	Relation with Issuer	Company Name	Amount	Percentage of net sales as of the end of the previous quarter for the current year	Relation with Issuer
1	Southern Region Water Resources Office, WRA, MOEA	884,167	19.13%	None	Southern Region Water Resources Office, WRA, MOEA	1,007,305	26.57%	None	Taiwan Water Corporation	228,782	29.95%	None
2	BES Engineering Inc.	510,549	11.05%	None	Maoli County Government	690,553	18.21%	None	Southern Region Water Resources Office, WRA, MOEA	201,218	26.34%	None
3	Taiwan Water	505,593	10.94%	None	Taiwan Water	625,664	16.50%	None	Maoli County	151,141	19.79%	



	Corporation				Corporation				Government			
4												
	Others	2,720,726	58.88%	-	Others	1,468,201	38.72%	-	Others	182,697	23.92%	-
	Net Sales	4,621,035	100.00%		Net Sales	3,791,723	100.00%		Net Sales	763,838	100.00%	

Explain the reason for the change:

- (1) The revenue from Southern Region Water Resources Office, WRA, MOEA., Miaoli County Government and Taiwan Water Corporation increased in the Company's fiscal year 2022 compared to the fiscal year 2021. This was mainly due to an increase in project costs in 2022, and the recognition of project revenue based on the proportion of project costs to total costs.
- (2) The revenue from BES Engineering Inc. decreased in the Company's fiscal year 2022 compared to the fiscal year 2021, mainly due to the decrease in the shipment volume of pipes in line with the actual construction progress.
- (3) In 2022, the Group had a large number of customers, but there were no customers whose sales revenue accounted for more than 10% of the total sales revenue, except for the South Region Water Resources Office WRA, MOEA., Miaoli County Government, and Taiwan Water Corporation.

## (5) Production in the Last Two Years.

Unit: NT\$ thousands

Year Quantity	2022		2021	
	Production	Product Value	Production	Product Value
Steel Pipe Straight Pipe	1,628.58M	65,263	1,376.10M	68,736
Steel parts	1	171,194	1	147,090
Ductile cast iron pipe	18,175	767,213	71,220	2,084,510
DIP fittings	1	2,564	1	2,039
Casing	50	1,901	47	1,790
Short tube	43	2,354	21	1,052
Bend Tube	23	2,651	64	7,450
Snap ring	2,695 sets	29,373	2,295 sets	8,341
Contracting	1	1,109,708	1	1,067,700
Desalinated seawater	3,274,472 degrees	122,474	3,420,184 degrees	125,449
Operation maintenance	1	124,781	1	108,775
Others	1	8	1	790
Total	—	2,399,484	—	3,623,722

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) Sales Value Table in the Last Two Years

Unit: NT\$ thousands

Year Product	2022				2021			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Steel Pipe Straight Pipe	1,272.96M	59,823	0	0	972.50M	27,926	0	0
Steel parts	1	115,699	0	0	1	38,244	0	0
Ductile cast iron pipe	1,826	540,052	14,268	571,837	1,927	563,573	76,357	1,877,894
DIP fittings	1	11,333	0	0	1	5,352	0	0
Casing	36	3,935	0	0	83	9,167	0	0
Short tube	56	5,288	0	0	37	3,974	0	0
Bend Tube	39	7,100	0	0	14	7,685	0	0
Snap ring	342	8,322	0	0	803 sets	12,813	0	0
Contracting	1	1,580,729	0	0	1	1,534,967	0	0
Desalinated seawater	3,274 thousand degrees	144,833	0	0	3,626 thousand degrees	156,070	0	0
Operation Maintenance	1	163,039	0	0	1	123,102	0	0
Others	1	296,464	1	283,269	1	230,363	1	29,905
Total	—	2,936,617	—	855,106	—	2,713,236	—	1,907,799

### III. The Number of Employees Employed in the Last Two Years

Mar.31, 2023				
	Year	2021	2022 (Note 2)	Current year ending March 31, 2023 (Note 2)
Number of Employees	Direct Employees	440	150	152
	Indirect Employees	230	113	117
	Total	670	263	269
Average age (Note 1)		37.71	41.34	41.09
Average Length of Service (Note 1)		6.15	8.05	7.84
Education Distribution Ratio (Note 1)	PhD	0.00%	0.00%	0.00%
	Master	4.1%	6.38%	6.81%
	Great Expertise	41.74%	56.38%	55.50%
	High School	29.3%	30.32%	30.89%
	Below high school	24.86%	6.92%	6.28%

Note 1: Average age, average length of service, and education distribution ratio do not include foreign workers.

Note 2: Loss of control over the Subsidiary - Fujian Taiming Casting Pipe Technology Co., Ltd. on May 5, 2022, and thus is no longer included in the consolidated financial statements. Therefore, it is not included in the calculation.

### 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:

Disposal Date	Disposal Number	Violation of legal regulation, provisions, and details of the penalty	Amount of Penalty	Countermeasure
2022.05.17	Gold Water Supply Letter No. 1110004355	Failure to conduct quarterly environmental monitoring as required by Article 17 of the Environmental Impact Assessment Act and failure to comply with the content specified in the Environmental Impact Statement resulted in a fine of NT\$300,000. Additionally, a fine of NT\$40,000 was imposed based on the provisions of the subcontracting agreement in this case.	340,000	Pay attention to the deadline of the environmental monitoring contract and consider extending it in advance if necessary.
2022.08.18	Taiwan Water South Branch Letter No. 1110006575	Failure to declare runoff wastewater pollution reduction measures prior to construction, in violation of Article 18 of the Water Pollution Control Act and Article 10 of the Measures for the Management of Water Pollution Control Measures and Declaration of Detection.	30,250	Pay attention to the construction deadline and submit the application in advance.

- (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. There have been no major incidents of pollution or disputes, but to enhance workplace environmental maintenance and comply with environmental regulations, periodic watering operations are conducted in the plant and construction site to reduce dust. Additionally, the Company has planned to install equipment for sludge drying, costing approximately NT\$200 thousand to increase the capacity of sludge drying.

## 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 first making up for the losses of previous years and setting aside legal reserve in accordance with the law. In the 2022 fiscal year, approximately NT\$20,678 thousand were allocated from the surplus for employee compensation. The "Performance Evaluation Management Measures" of the Company will be used as the basis for mid-term and annual performance evaluations, and the results will be used to distribute employee compensation.
- (2) Employee insurance and healthcare system and implementation circumstances:
- A. Each employee is covered by labor insurance and national health insurance as required by law, and the Company also provides group insurance for all employees to increase their protection.
- B. Regular Free Health Checkups: The Company regularly commissions hospitals to conduct health checkups for employees to ensure their work suitability and to identify any issues with their work environment.
- C. On March 22, 2023, we collaborated with a hospital to provide free oral mucosa examination for workers on construction sites in Tainan. We also conducted a campaign to quit chewing betel nut.
- (3) Employee Welfare 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. If the funds are insufficient, the Company will provide additional subsidies.
- B. Employee maternity bonus.
- C. Wedding and funeral subsidy: All employees are entitled to the subsidy.
- D. Domestic and international travel: All employees are entitled to subsidies.
- E. Holiday and birthday gifts: Employees will receive appropriate gifts during holidays such as Dragon Boat Festival and Mid-Autumn Festival, as well as on their birthdays.
- F. Employee children's scholarship: The Company has established regulations for children's education awards and scholarships. Children of employees of the Company are eligible to apply for a fixed amount of scholarship.

2. Educational training:

- A. 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 2021 are as follows:

Project	Number of shifts	Total number of people	Total Hours	Total Cost
1. New personnel training	101	101	606	0
2. Professional Functional Training	62	170	1,154	268,360
Total	163	271	1,760	268,360

- B. Project Training: In order to enhance the Company's internal talent management capabilities, the Company collaborated with National Kaohsiung University of Science and Technology to

carry out the "Kuo Toong International Co., Ltd. Management Talent Development Project". The project started on August 1, 2022 and will end on July 31, 2023, with a total of 60 hours of courses planned. As of the end of March in 2023, 28 hours have been completed.

3. Retirement system and implementation circumstances:

Pension system	Old system	New system
Legal Basis	Labor Standards Act	Labor 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\$1,184 thousand in 2022.	Contribution of NT\$6,322 thousand for 2022.

In 2022, three employees applied for retirement, and the Company paid approximately 3.53 million NT dollars in retirement benefits.

4. Protection of Maternal Employees' Health:

- A. During pregnancy: prenatal check-up leave, tocolysis leave
- B. During childbirth: paternity leave, childbirth subsidy
- C. During breastfeeding: lactation room
- D. During childcare: unpaid leave policy

5. Agreements between labor and management and the maintenance of various employee rights and benefits: Regular labor-management meetings are held and there are channels for employee complaints and feedback to be heard in a timely manner. In addition, ad hoc meetings are also held for labor-management communication. Important company information is disseminated through bulletin boards and email to keep employees informed of the Company's operational direction, facilitating full communication and exchange of opinions between labor and management to create a harmonious work environment.

6. Work environment and employee safety measures:

- A. The Company plan to introduce the ISO45001 Occupational Health and Safety Management System and obtain third-party certification in 2023.
- B. Employees in specific job roles are provided with special protective equipment to ensure their safety while working.
- C. Comprehensive emergency response and fire drills are conducted in the event of environmental accidents.
- D. The monitoring of the work environment is being implemented to ensure a safe and healthy workplace for employees.

- (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. Furthermore, we emphasize two-way communication with employees to ensure a harmonious relationship between employers and employees. As a result, there have been no losses incurred due to labor disputes in the past two years. 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 the face of changes in information technology and business models that bring new forms of crime. 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

To maintain the effectiveness of the Company's information security, a cybersecurity committee will be established, and dedicated personnel from the information security department will be assigned to regularly monitor the implementation of antivirus systems, firewalls, email filtering systems, backup power systems, etc., to ensure the smooth operation of the Company's business. Additionally, to ensure the confidentiality, integrity, and availability of the Company's information systems, prevent unauthorized access, use, control, leakage, destruction, tampering, or other violations of information or information systems, and protect the interests of the company and all employees, the information security policies 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. Unauthorized 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 employees.
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 allocates resources annually for information security-related matters, such as hardware equipment like anti-virus systems, backup systems, firewalls, VPN networks, power backup systems, and information security management, including regular internal audits and yearly information security orientation for new employees. These efforts aim

to improve the information security capabilities of the Company, unifying the management of equipment and personnel."

(5) Information security incidents

No major information security incidents have occurred so far in 2022.

## 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~Feb. 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 tender A1 of the Zengwen Nanhua Chemical Union Piping System Package Project	None
Engineering Contract	Southern Region Water Resources Office, WRA, MOEA	May 2020~May 2024	Tender A2 for Zengwen Nanhua Chemical Union Piping System Package Project	None
Engineering Contract	Water Resource Bureau of Taichung City Government	Sep. 2021~Dec. 2025	Taichung City Futian Water Resources Recycling Center Discharge Water Recycling and Reuse Package Project	None
Engineering Contract	Taiwan Water Corporation	Oct. 2021~Feb. 2024	Fengyuan Boulevard Circular Buried Main Pipe Project - Pipe (1)	None
Engineering Contract	Taiwan Water Corporation	Oct. 2021~Aug. 2023	Fuzhou Pump Station to Banxin Field Pipeline Project (2)	None
Engineering Contract	Central Region Water Resources Office, WRA, MOEA	Apr. 2022~Oct. 2025	Da'an-Dajia River Interconnection Pipeline Project - Dajia River Water Transmission Pipeline Tender No. 3 Package Project	None
Engineering Contract	Taiwan Water Corporation	Aug. 2022~Feb. 2025	Li-Yu-Tan Water Treatment Plant Second Water Supply Pipeline Project - Pipe (2)	None
Engineering Contract	Taiwan Water Corporation	Aug. 2022~Apr. 2024	Donggang Creek to Fengshan Reservoir Xin Yuan Section Water Diversion Pipeline Project (4)	None
Engineering Contract	Taiwan Water Corporation	Sep. 2022~Feb. 2024	Donggang Creek to Fengshan Reservoir Xin Yuan Section Water Diversion Pipeline Project (2)	None
Engineering Contract	Taiwan Water Corporation	Nov. 2022~July 2024	Fengyuan Boulevard Circular Buried Main Pipe Project - Pipe (4)	None
Engineering Contract	Taiwan Water Corporation	Apr. 2023~Mar. 2025	Fengyuan Boulevard Circular Buried Main Pipe Project - Pipe (5)	None
Credit Agreement	Taipei Fubon Bank and other 12 credit-granting banks	Sep. 2022~June 2028	Financing of Sewer Construction Needs	Note 1
Credit Agreement	First Commercial Bank Xiamen Branch and other 5 credit-granting banks	Sep. 2019~Sep. 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 Xiyu, Penghu	Note 2
Other	Taiwan Water Corporation	Acceptance substitute operation maintenance: Apr. 2021~Apr. 2024	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	Acceptance substitute operation maintenance: July 2020~July 2023	Miaoli County Houlong Township Water Reclamation Center Phase I Project (including 3-year trial operation and maintenance) Follow-up Project	None

<b>Nature of Contract</b>	<b>Parties</b>	<b>Dates of commencement of contract</b>	<b>Main content</b>	<b>Restricted Terms</b>
Other	Kinmen County Water Supply Plant	Acceptance substitute operation maintenance: Jan. 2019~Apr. 2024	Operation and maintenance of Daikinmen Desalination Plant	None

Note 1: Please refer to page 189 of this annual report for the restrictions.

Note 2: Please refer to pages 223-227 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) - IFRSs

Unit: NT\$ thousands

Item \ Year		The last five years of financial information					March 31, 2023 Financial Information (Note 1)
		2018	2019	2020	2021	2022	
Current assets		5,689,916	4,649,780	5,419,652	6,439,829	4,541,300	4,639,854
Property, plant and equipment		1,423,870	1,522,243	1,510,849	1,399,304	367,969	373,166
Intangible assets		1,019,969	1,223,580	1,254,167	1,365,568	1,516,689	1,537,680
Other Assets		4,083,276	4,758,577	4,482,581	4,080,011	4,830,454	4,781,272
Total Assets		12,217,031	12,154,180	12,667,249	13,284,712	11,256,412	11,331,972
Current liabilities	Pre-distribution	4,737,067	4,062,331	4,243,088	4,531,560	1,683,465	1,677,201
	After distribution	4,759,651	4,119,653	4,305,108	4,655,599	(Note 3)	(Note 3)
Non-current liabilities		1,448,185	1,648,979	1,933,943	2,010,161	2,572,690	2,467,77
Total liabilities	Pre-distribution	6,185,252	5,711,310	6,177,031	6,541,721	4,256,155	4,144,976
	After distribution	6,207,836	5,768,632	6,239,051	6,665,760	(Note 3)	(Note 3)
Equity attributable to owners of the parent company		3,957,541	4,375,287	4,423,648	4,801,033	5,359,587	5,534,818
Share Capital		2,258,366	2,492,242	2,480,782	2,480,782	2,480,782	2,480,782
Capital Fund		1,307,802	1,478,537	1,470,181	1,470,181	1,470,181	1,470,181
Retention Surplus	Pre-distribution	539,609	672,170	714,438	1,099,624	1,614,528	1,786,279
	After distribution	517,025	614,848	652,418	975,585	(Note 3)	(Note 3)
Other interests		(148,236)	(267,662)	(241,753)	(249,554)	(205,904)	(202,424)
Treasury Stocks		0	0	0	0	0	0
Non-controlling interests		2,074,238	2,067,583	2,066,570	1,941,958	1,640,670	652,178
Total equity	Pre-distribution	6,031,779	6,442,870	6,490,218	6,742,991	7,000,257	7,186,996
	After distribution	6,009,195	6,385,548	6,428,198	6,618,952	(Note 3)	(Note 3)

Note 1: The Company's financial statements for the first quarter of 2023 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 Apr. 13, 2023, the Board of Directors approved the cash dividend of NT\$1 per share from the undistributed earnings of 2022, which will be presented to the shareholders' meeting on June 21, 2023.

#### 2. Condensed Consolidated Statements of Income (Consolidated) – IFRSs

(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, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Operating income		4,873,679	3,825,565	3,708,311	4,621,035	3,791,723	763,838
Gross (loss) operating profit		846,956	702,033	841,651	1,068,464	1,104,784	291,465
Operating (loss) income		464,108	369,012	366,816	595,807	800,183	240,559
Non-operating income and expenses		(104,373)	(75,962)	(149,553)	(104,644)	30,914	(9,554)
Net (loss) income before income tax		359,735	293,050	217,263	491,163	831,097	231,005
Net (loss) income of the continuing operating segment for the period		250,927	254,040	114,825	327,037	622,002	183,259
Loss of business units (Note 2)		0	0	0	0	0	0
Net (loss) profit for the period		250,927	254,040	114,825	327,037	622,002	183,259
Other comprehensive income (net of tax) for the period		(50,237)	(146,550)	9,661	(12,244)	66,890	3,480

Total consolidated profit or loss for the period		200,690	107,490	124,486	314,793	688,892	186,739
Net (loss) profit attributable to owners of the parent company		227,564	192,477	125,071	448,367	625,146	171,751
Net (loss) income attributable to non-controlling interests		23,363	61,563	(10,246)	(121,330)	(3,144)	11,508
Total consolidated profit or loss attributable to owners of the parent company		190,747	69,595	125,499	439,405	682,593	175,231
Total consolidated profit or loss attributable to noncontrolling interests		9,943	37,895	(1,013)	(124,612)	6,299	11,508
Earnings per share (NT\$)	Retroactively adjusted before	1.01	0.81	0.50	1.81	2.52	0.69
	After retroactive adjustment	0.99 (Note 3)	-	-	-	-	-

Note 1: The Company's financial statements for the first quarter of 2023 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) - IFRSs

Unit: NT\$ thousands

Item \ Year		The last five years of financial information				
		2018	2019	2020	2021	2022
Current assets		2,605,287	2,892,950	3,229,234	4,057,445	3,628,235
Property, plant and equipment		408,143	357,765	354,577	316,052	281,878
Intangible assets		704	1,172	466	296	70
Other Assets		3,811,876	3,730,746	3,622,782	3,103,406	3,570,205
Total Assets		6,826,010	6,982,633	7,207,059	7,477,199	7,480,388
Current liabilities	Pre-distribution	2,602,585	2,095,473	2,202,786	2,170,727	1,446,875
	After distribution	2,625,169	2,152,795	2,264,806	2,294,766	(Note 2)
Non-current liabilities		265,884	511,873	580,625	505,439	673,926
Total liabilities	Pre-distribution	2,868,469	2,607,346	2,783,411	2,676,166	2,120,801
	After distribution	2,891,053	2,664,668	2,845,431	2,800,205	(Note 2)
Share Capital		2,258,366	2,492,242	2,480,782	2,480,782	2,480,782
Capital Fund		1,307,802	1,478,537	1,470,181	1,470,181	1,470,181
Retention Surplus	Pre-distribution	539,609	672,170	714,438	1,099,624	1,614,528
	After distribution	517,025	614,848	652,418	975,585	(Note 2)
Other interests		(148,236)	(267,662)	(241,753)	(249,554)	(205,904)
Treasury Stocks		0	0	0	0	0
Total equity	Pre-distribution	3,957,541	4,375,287	4,423,648	4,801,033	5,359,587
	After distribution	3,934,957	4,317,965	4,361,628	4,676,994	(Note 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) - IFRSs

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

Item \ Year	The last five years of financial information				
	2018	2019	2020	2021	2022
Operating income	2,024,804	1,512,684	1,400,128	2,346,646	2,398,708
Gross (loss) operating profit	389,832	262,484	307,495	799,589	763,043
Operating (loss) income	303,504	135,136	220,663	714,364	632,997

Non-operating income and expenses		(1,653)	46,361	(64,624)	(142,131)	157,150
Net (loss) income before income tax		301,851	181,497	156,039	572,233	790,147
Net (loss) income of the continuing operating segment for the period		227,564	192,477	125,071	448,367	625,146
Loss of closed units (Note 1)		0	0	0	0	0
Net (loss) profit for the period		227,564	192,477	125,071	448,367	625,146
Other comprehensive income (net of tax) for the period		(36,817)	(122,882)	428	(8,962)	57,447
Total consolidated profit or loss for the period		190,747	69,595	125,499	439,405	682,593
Earnings per share (NT\$)	Retroactively adjusted before	1.01	0.81	0.50	1.81	2.52
	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
2018	KPMG Taiwan	Chen, Kuo-tsung; Hsu, Chen-lung	Unqualified Opinion
2019	KPMG Taiwan	Su, Yan-da; 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
2022	Ernst & Young Taiwan	Hong Kuo-sen; 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, 2023 (Note 2)
		2018	2019	2020	2021	2022	
Financial Structure	Debt to assets ratio (%)	50.63	46.99	48.76	49.24	37.81	36.58
	Ratio of long-term capital to property, plant and equipment (%)	525.33	531.57	557.58	625.54	2,601.56	2,587.26
Repayment Capabilities	Current ratio (%)	120.11	114.46	127.73	142.11	269.76	276.64
	Quick Ratio (%)	63.31	65.88	66.92	73.22	138.36	148.40
	Interest coverage ratio	5.53	4.48	3.53	6.00	15.04	63.81
Operating Capability	Receivables turnover rate (times)	5.97	4.20	4.08	5.30	5.93	5.00
	Average number of days of receipt	61.13	86.90	89.46	68.86	61.55	72.98
	Inventory turnover rate (times)	1.95	1.39	1.38	1.42	1.10	0.77
	Turnover rate of accounts payable (times)	2.87	2.53	2.82	3.56	3.67	2.94
	Average days of sales	187.17	262.58	264.49	257.04	331.82	471.27

	Property, plant and equipment turnover rate (times)	3.34	2.60	2.45	3.18	4.29	3.39
	Total Asset Turnover (times)	0.41	0.31	0.30	0.36	0.31	0.25
Profitability	Return on Assets (%)	2.62	2.64	1.48	3.13	5.45	1.50
	Return on Equity (%)	4.46	4.07	1.78	4.94	9.05	2.63
	Net income before income tax to paid-in capital (%)	15.93	11.76	8.76	19.80	33.50	9.31
	Net Profit Rate (%)	5.15	6.64	3.10	7.08	16.40	23.99
	Earnings per share (NT\$)	0.99	0.81	0.50	1.81	2.52	0.69
Cash Flows	Cash flow ratio (%)	0	0	0	0.87	21.06	16.84
	Cash flow fair ratio (%)	40.07	52.25	62.85	70.43	30.61	62.36
	Cash reinvestment ratio (%)	0	0	0	0	2.50	3.06
Leverage	Operating leverage	1.50	1.67	1.65	1.39	1.17	1.14
	Financial leverage	1.21	1.30	1.31	1.20	1.08	1.02

Note 1: The financial statements for 2018 to 2022 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:

- (1) The debt to asset ratio decreased compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements. This resulted in a decrease in short-term loans, current portion of long-term loans, and current maturities of bonds payable in 2022 as compared to 2021.
- (2) The ratio of long-term capital to property, plant, and equipment increased in 2022 compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements, resulting in a decrease in property, plant, and equipment in 2022.

2. Solvency:

- (1) The current ratio and quick ratio increased compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements. This resulted in a decrease in short-term loans, current portion of long-term loans, and current maturities of bonds payable in 2022 as compared to 2021.
- (2) The interest coverage ratio increased compared to the same period last year, mainly due to an increase of NT\$339,934 thousand in the net income before income tax in 2022 as compared to 2021.

3. Operating capacity:

- (1) The inventory turnover rate in 2022 decreased compared to the same period last year, and the average days of sales increased, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements. This resulted in a decrease of NT\$865,632 thousand in the operating costs in 2022 as compared to 2021.
- (2) The property, plant and equipment turnover rate increased compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements, resulting in a decrease in property, plant, and equipment.

4. Profitability:

- (1) In 2022, the return on assets, return on equity, net income before tax to paid-in capital, net profit rate and earnings per share increased compared to the same period last year. This was mainly due to an increase in gross profit in 2022 compared to 2021, as well as the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which is no longer included in the consolidated financial statements. The disposal gain from the investment was recognized in accordance with accounting principles, resulting in an increase in net income after tax in 2022 compared to 2021.

5. In terms of cash flow:

- (1) The cash flow ratio increased in 2022 compared to the same period last year, mainly due to a decrease in current liabilities in 2022 compared to 2021.
- (2) The cash flow fair ratio decreased in 2022 compared to the same period last year, mainly due to a decrease in net cash inflow from operating activities for the past five years.
- (3) The cash reinvestment ratio increased in 2022 compared to the same period last year, mainly due to an increase in net income before income tax and an increase in net cash inflow from operating activities in 2022 compared to 2021.

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

## (2) International Financial Reporting Standards (IFRSs) (Parent Company Only).

Item	Year	Financial analysis for the last five years (Note 1)				
		2018	2019	2020	2021	2022
Financial	Debt to assets ratio (%)	42.02	37.34	38.62	35.79	28.35

Structure	Ratio of long-term capital to property, plant and equipment (%)	1,034.79	1,366.03	1,411.39	1,678.99	2,140.47
Repayment Capabilities	Current ratio (%)	100.10	138.06	146.60	186.92	250.76
	Quick Ratio (%)	66.40	94.24	104.00	139.42	163.41
	Interest coverage ratio	11.84	6.44	7.03	18.09	26.05
Operating capability	Receivables turnover rate (times)	1.61	1.18	0.87	1.30	1.61
	Average number of days of receipt	226.70	309.32	419.54	280.76	226.70
	Inventory turnover rate (times)	2.58	1.37	1.18	1.55	1.46
	Turnover rate of accounts payable (times)	2.37	2.11	2.26	3.09	3.28
	Average days of sales	141.47	266.42	309.32	235.48	250.00
	Property, plant and equipment turnover rate (times)	4.75	3.95	3.93	7.00	8.02
	Total Asset Turnover (Times)	0.28	0.22	0.20	0.32	0.32
Profitability	Return on Assets (%)	3.49	3.17	2.05	6.47	8.70
	Return on Equity (%)	5.89	4.62	2.84	9.72	12.31
	Net income before income tax to paid-in capital (%)	13.37	7.28	6.29	23.07	31.85
	Net Profit Rate (%)	11.24	12.72	8.93	19.11	26.06
	Earnings per share (NT\$)	0.99	0.81	0.50	1.81	2.52
Cash Flows	Cash flow ratio (%)	0	0	0	17.21	101.60
	Cash flow fair ratio (%)	100.24	155.12	290.36	420.96	432.35
	Cash reinvestment ratio (%)	0	0	0	5.05	19.39
Leverage	Operating leverage	1.29	1.60	1.35	1.11	1.09
	Financial leverage	1.10	1.33	1.13	1.05	1.05
Note 1: The financial statements for 2018 to 2022 were audited and certified by the accountants.						

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

1. Financial structure:

- (1) The debt to assets ratio decreased in 2022 compared to the same period last year, mainly due to the restructuring of a joint loan repayment for the Company's engineering fees by its subsidiary, Kuo Yang Environmental Technology Co., Ltd. in 2022.
- (2) The ratio of long-term capital to property, plant and equipment increased in 2022 compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd. The disposal gain from the investment was recognized in accordance with accounting principles, resulting in an increase in total equity.

2. Solvency:

- (1) The current ratio increased in 2022 compared to the same period last year, mainly due to the restructuring of a joint loan repayment for the Company's engineering fees by its subsidiary, Kuo Yang Environmental Technology Co., Ltd., and the repayment of borrowings by the Company.
- (2) The interest coverage ratio increased in 2022 compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd. The disposal gain from the investment was recognized in accordance with accounting principles, resulting in an increase in net income before tax in 2022 compared to 2021. Additionally, the restructuring of the joint loan repayment of the Company's engineering fees by its subsidiary, Kuo Yang Environmental Technology Co., Ltd., and the repayment of loans by the Company also contributed to a decrease in interest expenses in 2022.

3. Operating ability:

- (1) The receivables turnover rate increased in 2022 compared to the same period last year, mainly due to the reclassification of some amounts to long-term receivables due to legal disputes. This resulted in a decrease in accounts receivable in 2022 compared to 2021, and an increase of NT\$52,062 thousand in operating revenue in 2022 compared to 2021.

4. Profitability:

- (1) The return on assets, return on equity, net income before tax to paid-in capital, net income ratio and earnings per share increased in 2022 compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd. The disposal gain from the investment was recognized in accordance with accounting principles, resulting in an increase in net income before income tax in 2022 compared to 2021.

5. In terms of cash flow:

- (1) The cash flow ratio and cash reinvestment ratio increased in 2022 compared to the same period last year, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd. The disposal gain from the investment was recognized in accordance with accounting principles, resulting in an increase in net income before income tax in 2022 compared to 2021. Additionally, the restructuring of the joint loan repayment of the Company's engineering fees by its subsidiary, Kuo Yang Environmental Technology Co., Ltd., contributed to an increase in net cash inflow from operating activities.

6. Leverage: 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 ratio = Net income before income tax and interest expense/Interest expense for the period.

## 3. Operating 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 days of receipt = 365/receivable turnover rate.

(3) Inventory turnover rate = 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  $\times$  (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 has approved and the Board of Directors endorsed the Company's 2022 annual business report, parent company only financial statements, consolidated financial statements and appropriation of earnings, of which the Company's 2022 parent company only financial statements and consolidated financial statements have been audited and completed by Ernst & Young Taiwan's CPAs Hong Kuo-sen and Lee Fang-wen, appointed by the Board of Directors, and issued an unqualified audit report. The Audit Committee has the responsibility of overseeing the financial reporting process of the Company.

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

The Certified Public Accountants (CPAs) are required to communicate with the Audit Committee regarding the following matters in order to certify the Company's parent company only financial statements and consolidated financial statements for 2022:

1. The scope and timing of the audit planned by the CPAs have not yet resulted in any significant audit findings.
2. The CPAs have provided the Audit Committee with a statement that the personnel of the firms for which they work who are subject to independence regulations have complied with the CPA code of professional ethics with respect to independence, and no other relationships or other matters have been identified that might undermine the independence of the CPAs.
3. In the course of communication between the CPAs and the Audit Committee on the critical audit issues, it was determined that there were no critical audit issues that needed to be communicated in the audit report.

The Company's 2022 annual business report, parent company only financial statements, and consolidated financial statements and earnings distribution proposal, as approved by the Audit Committee and endorsed by the Board of Directors, are in compliance with the relevant laws and regulations and are reported as above pursuant to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for review and approval.

To

Kuo Toong International Co., Ltd.'s 2023 Regular Shareholders' Meeting

Audit Committee Convenor: Wang, Sen-rong

April 13, 2023

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

##### **Statement on the Consolidated Financial Statements of Affiliated Companies**

The Company hereby declares that for the fiscal year 2022 (from January 1, 2022 to December 31, 2022), companies that should be included in the preparation of consolidated financial statements of related parties according to the "Regulations Governing the Preparation of Consolidated Financial Statements and Related Reports of Related Party Mergers in Business Reports" and companies that should be included in the preparation of consolidated financial statements of parent-subsidary mergers according to International Financial Reporting Standard No. 10 are the same. Furthermore, all relevant information that should be disclosed in the related party consolidated financial statements has been disclosed in the aforementioned parent-subsidary consolidated financial statements, therefore, no additional related party consolidated financial statements are required to be prepared.

This statement is hereby certified.

Kuo Toong International Co., Ltd.

Chairperson: Hong, Ya-man

March 31, 2023



## **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 2022 and 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, 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 2022 and 2021, and their consolidated financial performance and cash flows for the years ended 31 December 2022 and 2021, 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 Standards on Auditing of the Republic of China on Taiwan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 2022 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 2022, the Group's public work construction revenue amounted to NT\$1,320,404 thousand which constituted 35% 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. 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 Standards on Auditing of the Republic of China on Taiwan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 2022 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 2022 and 2021, and the auditor's report with unqualified opinions were issued by auditors, that have been filed for reference.

Ernst & Young, Taiwan

The preparation of the financial statements of a public company is approved by the competent authority.

Approval number: FSC Securities Examination No. 1100352201

FSC Securities Examination No. 1010045851

Hong, Kuo-sen

CPAs:

Lee, Fang-Wen

March 13, 2023

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2022	31 Dec. 2021
Current Assets			
Cash and cash equivalents	IV/VL.1	\$965,896	\$696,200
Financial assets measured at amortized cost-current	IV/VL.3、21/VIII	737,544	1,182,426
Current contract assets	IV/VL.20、21	1,830,969	1,534,616
Notes receivable-net	IV/VL.4、21	10,349	21,675
Accounts receivable-net	IV/VL.5、12、21/VIII	461,559	785,738
Other receivables	VL.6	1,040	393,613
Inventories-net	IV/VL.7	277,422	1,091,511
Other current assets	IV/VL.8/VII	194,864	645,750
Construction refundable deposits		61,657	88,300
Total current assets		4,541,300	6,439,829
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VL.2	784,908	95,025
Financial assets measured at amortized cost-non-current	IV/VL.3、21/VIII	134,910	127,175
Investments accounted for under equity method	IV/VL.9	-	3,197
Property, plant and equipment	IV/VL.10/VIII	367,969	1,399,304
Right of use assets	IV/VL.22/VIII	14,492	142,252
Intangible assets	IV/VL.11、12	1,516,689	1,365,568
Deferred tax assets	IV/VL.26	42,415	64,426
Guarantee deposits paid	VIII	84,179	77,449
Long-term receivables	VL.5、12/VIII	3,738,303	3,381,694
Other non-current assets -others	IV/VL.8	31,247	188,793
Total non-current assets		6,715,112	6,844,883
Total Assets		\$11,256,412	\$13,284,712

(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 2022 and 2021  
 (Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2022	31 Dec. 2021
Current liabilities			
Short-term loans	IV/VL.13/VII/VIII	\$489,980	\$1,495,326
Short-term notes payable	IV/VL.14	-	9,958
Current contract liabilities	IV/VL.20	56,716	179,379
Notes payable	IV	135,192	189,599
Accounts payable	IV	371,331	768,174
Accounts payable -related parties	VII	-	327
Other payables	VI.15	154,354	463,639
Other payables - related parties	VII	-	19,850
Current tax liabilities	IV/VL.26	160,430	130,214
Lease liability-current	IV/VL.22	594	526
Current portion of bonds payable	IV/VL.16/VIII	-	249,951
Current portion of long-term liability	IV/VL.17/VII/VIII	308,635	992,020
Other current liabilities - others		6,233	32,597
Total current liabilities		1,683,465	4,531,560
Non-current liabilities			
Bonds payable	IV/VL.16/VIII	249,624	-
Long-term loans	IV/VL.17/VIII	1,971,330	1,355,783
Deferred tax liabilities	IV/VL.26	303,022	251,929
Lease liability-non current	IV/VL.22	14,499	15,145
Net defined benefit liabilities - non current	IV/VL.18	7,782	27,305
Other non-current liabilities, others		26,433	359,999
Total non-current liabilities		2,572,690	2,010,161
Total liabilities		4,256,155	6,541,721
Equity attributable to the parent company			
Capital	IV/VL.19		
Common stock		2,480,782	2,480,782
Capital surplus	IV/VL.19	1,470,181	1,470,181
Retained earnings	IV/VL.19		
Legal reserve		399,779	355,058
Special reserve		249,554	241,753
Unappropriated earnings		965,195	502,813
Subtotal		1,614,528	1,099,624

Other equity	IV/VI.25		
Exchange differences resulting from translating the financial statements of a foreign operations		(86,692)	(150,187)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income		(119,212)	(99,367)
Subtotal		(205,904)	(249,554)
Total Equity attributable to the parent company		5,359,587	4,801,033
Non-controlling interests	IV/VI.19 、 28	1,640,670	1,941,958
Total equity		7,000,257	6,742,991
Total liabilities and equity		\$11,256,412	\$13,284,712

(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 2022 and 2021  
 (Expressed in Thousands of New Taiwan Dollars)

Items	Notes	2022	2021
Operating revenues	IV/VI.20	\$3,791,723	\$4,621,035
Operating costs	IV/VI.7、11、23/VII	(2,686,939)	(3,552,571)
Gross profit		1,104,784	1,068,464
Operating expenses	IV/VI.11、22、23/VII		
Sales and marketing expenses		(113,783)	(252,876)
General and administrative expenses		(167,961)	(160,528)
Research and development expenses		(29,829)	(21,008)
Expected credit impairment (losses) profit	IV/VI.21	6,972	(38,245)
Subtotal		(304,601)	(472,657)
Operating income		800,183	595,807
Non-operating income and expenses			
Other revenue	VI.24	36,351	37,404
Other gain and loss	VI.24	182,501	(44,057)
Financial costs	VI.24	(59,193)	(98,188)
Share of profit or loss of associates and joint ventures	IV/VI.9	(128,745)	197
Subtotal		30,914	(104,644)
Income from continuing operations before income tax		831,097	491,163
Income tax expense	IV/VI.26	(209,095)	(164,126)
Net income		622,002	327,037

Other comprehensive income(loss)	IV/VI.25		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		17,246	(1,451)
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		(19,845)	-
Income tax related to items that may not be reclassified subsequently		(3,449)	290
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		72,938	(11,083)
Total other comprehensive income(loss), net of tax		66,890	(12,244)
Total comprehensive income		\$688,892	\$314,793
Net income(loss) attributable to:			
Stockholders of the parent		\$625,146	\$448,367
Non-controlling interests		(3,144)	(121,330)
		\$622,002	\$327,037
Comprehensive income attributable to:			
Stockholders of the parent		\$682,593	\$439,405
Non-controlling interests		6,299	(124,612)
		\$688,892	\$314,793
Earnings per share (NTD)			
Earnings per share-basic	IV/VI.27	\$2.52	\$1.81
Earnings per share-diluted	IV/VI.27	\$2.51	\$1.80

(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 2022 and 2021

(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		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 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	\$2,480,782	\$1,470,181	\$355,058	\$241,753	\$502,813	\$(150,187)	\$(99,367)	\$4,801,033	\$1,941,958	\$6,742,991
Balance as of 1 January 2022	\$2,480,782	\$1,470,181	\$355,058	\$241,753	\$502,813	\$(150,187)	\$(99,367)	\$4,801,033	\$1,941,958	\$6,742,991
Appropriation and distribution of 2021 retained earning										

Legal Reserve	-	-	44,721	-	(44,721)	-	-	-	-	-
Special reserve	-	-	-	7,801	(7,801)	-	-	-	-	-
Cash dividends	-	-	-	-	(124,039)	-	-	(124,039)	-	(124,039)
Net income for the year ended 31 December 2022	-	-	-	-	625,146	-	-	625,146	(3,144)	622,002
Other comprehensive income, net of tax for the year ended 31 December 2022	-	-	-	-	13,797	63,495	(19,845)	57,447	9,443	66,890
Total comprehensive income	-	-	-	-	638,943	63,495	(19,845)	682,593	6,299	688,892
Other - Disposal of subsidiaries	-	-	-	-	-	-	-	-	(307,587)	(307,587)
Balance as of 31 December 2022	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$399,779</u>	<u>\$249,554</u>	<u>\$965,195</u>	<u>\$(86,692)</u>	<u>\$(119,212)</u>	<u>\$5,359,587</u>	<u>\$1,640,670</u>	<u>\$7,000,257</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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Items	2022	2021	Items	2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$831,097	\$491,163	Acquisition of financial assets at amortized cost	(27,727)	(2,398)
Adjustments for:			Disposal of financial assets at amortized cost	-	69,982
Income and expense adjustments:			Disposal of subsidiaries (net of cash acquired)	(176,022)	-
Depreciation	54,385	138,511	Acquisition of property, plant and equipment	(43,469)	(73,581)
Amortization	66,293	58,990	Disposal of property, plant and equipment	136	5,449
Expected credit impairment (gain) losses	(6,972)	38,245	Increase in refundable deposits	-	(56,752)
Interest expense	59,193	98,188	Decrease in refundable deposits	19,913	-
Interest revenue	(6,465)	(15,356)	Acquisition of intangible assets	-	(140)
Share of loss (profit) of associates and joint ventures accounted for under equity method	128,745	(197)	Acquisition of right-to-use assets	(31)	-
Losses on disposal of property, plant and equipment	1,801	30,465	Decrease in other non-current assets	(162)	(100,993)
Disposal of investments (gains) accounted for using the equity method	(233,341)	-	Net cash used in investing activities	(227,362)	(158,433)
Impairment loss on non-financial assets	2,477	8,709			
Unrealized foreign currency exchange gains	29,795	(9,533)	Cash flows from financing activities:		
(Gain) on bargain purchase	(26,248)	-	Increase in short-term loans	1,386,280	1,777,068
Income and expense adjustments:	69,663	348,022	Decrease in short-term loans	(2,006,364)	(1,903,744)
Changes in operating assets and liabilities:			Decrease in short-term notes payable	(10,000)	(18)
Contract assets	(480,491)	(321,101)	Proceeds from bonds issued	249,514	-
Notes receivable-net	11,326	(7,322)	Redemption of bonds	(250,000)	-
Accounts receivable-net	(50,187)	197,487	Increase in long-term loans	1,203,160	1,669,868
Other receivables	20,813	(15,562)	Decrease in long-term loans	(346,755)	(1,202,228)
Inventories	(103,482)	(190,756)	Cash dividends	(124,039)	(62,020)
Other current assets	(301,139)	(182,990)	Payments of lease liabilities	(578)	(538)
Contract liabilities	(1,540)	(34,649)	Net cash used in financing activities	101,218	278,388
Notes payable	(54,407)	(41,975)			
Accounts payable	178,089	(37,102)	Effect of exchange rate changes on cash and cash equivalents	41,374	(15,028)
Accounts payable - related parties	(327)	327			

Other payables	483,825	(18,640)	Net Increase in cash and cash equivalents	269,696	209,879
Other payables - related parties	(19,850)	(3,460)	Cash and cash equivalents at beginning of period	696,200	486,321
Other current liabilities	4,560	(1,569)	Cash and cash equivalents at end of period	<u>\$965,896</u>	<u>\$696,200</u>
Accrued pension liabilities	(2,277)	(17,668)			
Other non-current liabilities	9,028	65,433			
Cash generated from operations	<u>594,701</u>	<u>229,638</u>			
Interest received	6,465	15,356			
Interests paid	(106,051)	(125,303)			
Income tax paid	(140,649)	(14,739)			
Net cash provided by operating activities	<u>354,466</u>	<u>104,952</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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
For the Years Ended 31 December 2022 and 2021  
(Expressed in thousands of New Taiwan Dollars Unless Otherwise Stated)

**I. HISTORY AND ORGANIZATION**

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

The Company’s main business activities are manufacturing and trading various prestressed concrete pipes, straight steel pipes, propelling steel pipes, ductile iron pipes, cement products, spare parts, assembling and embedding of various water pipes, and spare parts.

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

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

The consolidated financial statements of the Company and its subsidiaries (hereinafter referred to as “the Group”) for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the Company’s board of directors (“Board of Directors”) on 13 March 2023.

**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 2022. The 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, 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
1	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
2	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
3	Deferred Tax related to Assets and Liabilities arising from a	1 January 2023

	Single Transaction – Amendments to IAS 12	
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(1) 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.

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

The amendments introduce the definition of accounting estimates and include 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.

(3) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The Group determined that the newly published standards and interpretations 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
1	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	1 January 2023
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
4	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024



5	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024
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(1) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

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

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

(2) IFRS 17 “Insurance Contracts”

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

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

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

periods beginning on or after 1 January 2023.

(3) 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.

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

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

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

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

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. The Group determined that the newly published 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 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations"), IFRS, IASs, IFRIC, and SIC, are endorsed by the FSC (TIFRSs).

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 statements

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
- (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 continues 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
- (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. 2022	31Dec. 2021
The Company	Kuo Toong International LLC.	Investment Company	100.00%	100.00%
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. (Note 2)	Chemical material manufacturing and water supply management	73.60%	73.60%
The Company	Jianyi Construction Co., Ltd. (Note 3)	Construction, dredging, sandstone and silt sea dumping, wholesale of building materials, housing and building development and rental 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	(Note 1)	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%
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	(Note 4)	91.00%

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			31Dec. 2022	31Dec. 2021
Fujian Taiming Cast Pipe Technology Co., Ltd.	Fujian Taiming Trading Co., Ltd.	Machinery equipment, building materials, OEM products wholesale and trade brokerage and agency	(Note 1)	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	(Note 1)	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	(Note 1)	11.4286%

(Note 1): On 26 April 2022, the Group's board of directors resolved the capital increase plan of its subsidiary, Fujian Taiming Cast Pipe Technology Co., Ltd. (hereinafter referred to as "Fujian Taiming Cast Pipe"). Due to the liquidity shortage, Fujian Taiwan Cast Pipe intended to implement cash capital increase to ensure operational stability. All the additional shares are subscribed by overseas affiliated companies, Fujian Sansteel (Group) Co., LTD. (hereinafter referred to as "Sansteel" (Group)), Fujian Sanming Minrun Investment Partnership (Limited Partnership) (hereinafter referred to as "Sanming Minrun") and Guangzhou Runfenghua Investment Partnership (limited partnership) (hereinafter referred to as "Runfenghua Investment"), with the total amount of CNY 233,108 thousand. After the capital increase, Sansteel (Group), Sanming Minrun, and Runfenghua Investment respectively held 51.00%, 4.10%, and 3.90% of the shares of Fujian Taiming Cast Pipe, while the Company and its sub-subsidiary respectively held 22.68% and 5.95% of the shares of Fujian Taiming Cast Pipe. On 5 May 2022, as the Group did not participate in the capital increase of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe and did not include its wholly owned subsidiary, Fujian Taiming Trading Co., Ltd. and Linwu Taiming Pipe Industry Technology Co., Ltd., in the consolidated financial statements, and the investment was transferred to the investment accounted for using equity method after the fair value measurement. In addition, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Trading Co., Ltd. and could not influence the operational decisions of Fujian Taiming Trading Co., Ltd. through voting on proposals

on 30 November 2022, resulting in the loss of significant influence of the Group. Therefore, the Group stopped using the equity method to account for its investments and reclassified the investment as financial assets measured at fair value through other comprehensive income (loss). Please refer to note VI (28) for more details.

(Note 2): The Board of directors of Kuo Hsin Technology Co., Ltd. resolved to apply for suspension of business on 20 May 2022. The National Taxation Bureau of Kaohsiung approved the application for suspension of business from 1 August 2022 to 31 July 2023 on 29 July 2022.

(Note 3): On 23 August 2022, the board of directors of Jianyi of Construction Co., Ltd resolved the capital increase and change of business items. The Kaohsiung City Government approved the application for change registration of the capital increase, business, and amendment to its Articles of Association on 8 September 2022.

(Note 4): The Group was assessed for loss of control and significant influence on 31 December 2022, due to the lawsuit of its sub-subsidiary, Xiamen Kuo Hsin Century Technology Co., Ltd., (please refer to Note IX(VI).5 for more details). Therefore, the Group has stopped accounting for its investments using the equity method and reclassified the investment as financial assets measured at fair value through other comprehensive income (loss). Please refer to note VI(28) for more details.

#### 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 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.

## 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 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 outcome
- (b) the time value of money
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

The loss allowance is measured as follows:

- A. At an amount equal to 12-month expected credit losses: the credit risk on a financial asset has not increased significantly since initial recognition or the financial asset is determined to have low credit risk at the reporting date. In addition, the 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.

### 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 act in their economic best interest.

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

The 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 – At actual purchase cost using weighted-average method.

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

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

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

## 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, and 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 the payment for the construction services provided by the Group includes both financial assets and 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) Construction or upgrading services

The Group recognizes 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

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 pro-rata 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 of 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



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
- (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
- (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 of 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 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 follows:

#### Sale of goods

The Group manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the 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. In most of the contracts, the accounts receivable is recognized when the control of goods is transferred and the unconditional right to receive the consideration is recognized. Such accounts receivable usually have a short period and no significant financial components.

#### Construction contract

The Group is engaged in the contracting business of public constructions because the assets are controlled by customers when they are under construction. Revenue is gradually recognized over time on the basis of the percentage of construction costs incurred among the estimated total contract costs. The contract includes fixed and variable consideration. The customer pays a fixed amount of money according to the agreed schedule. Certain changes in consideration (such as fines and price adjustment subsidies calculated based on the number of overdue days) are estimated at the most likely amount. The 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, the Group is obligated to provide services; therefore, the contract revenue is recognized as contract liabilities.

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

When the 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 employees is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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 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 profit and loss on contract is based on the degree of completion of contract activities to recognize contract revenue and contract costs respectively and to measure the percentage of completion based on the ratio of contract costs incurred to date to the total estimated contract costs. The 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) Inventories

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's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses, unused 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. 2022	31 Dec. 2021
Cash on hand	\$3,243	\$3,007
Check deposit	238	180
Saving account	962,415	693,013
Total	<u>\$965,896</u>	<u>\$696,200</u>

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

	31 Dec. 2022	31 Dec. 2021
Equity instrument investments measured at fair value through other comprehensive income – non-current		
Unlisted companies' stocks (Note)	<u>\$784,908</u>	<u>\$95,025</u>

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment

was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Group. Therefore, the Group stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

The Group was assessed for loss of control and significant influence on 31 December 2022 due to the lawsuit of its sub-subsidiary—Xiamen Kuo Hsin Century Technology Co., Ltd. (Please refer to Note IX (VI).5 for details). Therefore, the Group has stopped accounting for the investment using the equity method and reclassified it as financial assets measured at fair value through other consolidated income. Please refer to note VI(28) for more details.

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

For equity instrument investments measured at fair value through other comprehensive income, the Group did not recognize dividends for the years ended 31 December 2022 and 2021.

### 3. Financial assets measured at amortized cost

	31 Dec. 2022	31 Dec. 2021
Time deposits	\$377,252	\$740,346
Saving account - pledged account	495,202	569,255
Total	<u>\$872,454</u>	<u>\$1,309,601</u>
Current	\$737,544	\$1,182,426
Non-current	134,910	127,175
Total	<u>\$872,454</u>	<u>\$1,309,601</u>

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. 2022	31 Dec. 2021
Notes receivable	\$10,349	\$21,675
Less: allowance for doubtful accounts	-	-
Total	<u>\$10,349</u>	<u>\$21,675</u>

The Group's notes receivables were not pledged as collateral.

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 receivables, accounts receivable- related parties and long-term receivable

	31 Dec. 2022	31 Dec. 2021
Accounts receivable	\$320,614	\$772,906
Service concession accounts receivable	3,422,861	3,512,285
Long-term receivable (Note)	115,867	-
Less: allowance for doubtful accounts	(2,651)	(117,759)
Total	<u>\$3,856,691</u>	<u>\$4,167,432</u>
Current (recognized as accounts receivable (related parties included) - net)	\$461,559	\$785,738
Non-current (recognized as long-term accounts receivable)	3,395,132	3,381,694
Total	<u>\$3,856,691</u>	<u>\$4,167,432</u>

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

Accounts receivable are generally regulated by contracts. The Group's accounts receivables as at 31 December 2022 and 2021 amounted to NT\$ 3,859,342 thousand and NT\$ 4,285,191 thousand, respectively. Please refer to Note VI (21) for more details on impairment of trade receivables for the years ended 31 December 2022 and 2021 and please refer to Note XII for credit risk.

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

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

#### 6. Other Receivable

	31 Dec. 2022	31 Dec. 2021
Other receivable (Note)	\$382,430	\$448,652
Less: allowance for doubtful accounts	(38,219)	(55,039)
Total	<u>\$344,211</u>	<u>\$393,613</u>
Current (recognized as other receivable)	\$1,040	\$393,613
Non-current (recognized as long-term accounts receivable)	343,171	-
Total	<u>\$344,211</u>	<u>\$393,613</u>

(Note) Marvel Line Co., Ltd, a subsidiary of the Group, which holds 91% of the equity of Xiamen Kuo Hsin Century Technology Co., Ltd. (hereinafter referred to as “Xiamen Kuo Hsin”), has lost control and significant influence on Xiamen Kuo Hsin on 31 December 2022 (please refer to Note IX (VI).5 for the relevant explanation). Therefore, the financing in the amount of NT\$249,831 thousand (CNY 57,000 thousand) to Xiamen Kuo Hsin provided by Marvel Line Co., Ltd, and the related interest receivable in the amount of NT\$93,340 thousand (CNY 21,296 thousand) were transferred to the long-term receivables.

The information on the Group’s changes of loss allowance of other receivables for the years ended 31 December 2022 and 2021 were as follows:

	Other Receivable
1 Jan. 2022	\$55,039
Reversal for the current period	(1,904)
Write-off due to uncollectible	(140)
Other changes	(15,243)
Exchange difference	467
31 Dec. 2022	<u>\$38,219</u>
1 Jan. 2021	\$54,939
Addition for the current period	771
Write-off due to uncollectible	(2)
Exchange difference	(669)

31 Dec. 2021

\$55,039

## 7. Inventories

	31 Dec. 2022	31 Dec. 2021
Raw materials	\$37,805	\$138,844
Work in progress	136,782	347,046
Finished goods	102,288	588,930
Merchandise	547	16,691
Total	\$277,422	\$1,091,511

The cost of inventories recognized in expenses amounted to NT\$1,577,231 thousand and NT\$2,484,872 thousand for the years ended 31 December 2022 and 2021, including the write-down of inventory gains from price loss of NT\$107,522 thousand and NT\$5,205 thousand for the years ended 31 December 2022 and 2021, respectively.

No Inventories were pledged as collateral.

## 8. Other current assets and other non-current assets

	31 Dec. 2022	31 Dec. 2021
Prepayments	\$46,505	\$488,918
Inventory of supplies	57,217	6,793
Prepayments for equipment	31,247	102,068
Tax overpaid retained for offsetting the future tax payable	51,871	92,888
Others	39,271	143,876
Total	\$226,111	\$834,543
Current	\$194,864	\$645,750
Non-current	31,247	188,793
Total	\$226,111	\$834,543

- (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 using the equity method

Details are as follows:

Investee Company	31 Dec. 2022		31 Dec. 2021	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in Associates				
Xiamen Xiangyu Water Environmental Protection Technology Engineering Co., Ltd. (Note 1)	\$-	-	\$3,197	47.47%
Fujian Tai Ming Casting Pipes Technology Co., Ltd. (Note 2)	-	-	-	-
Total	<u>\$-</u>		<u>\$3,197</u>	

(Note 1): Xiamen Kuo Hsin Technology (Stock) Co., LTD. (hereinafter referred to as “Xiamen Kuo Hsin”), of which 91% is owned by Marvel Line Co., Ltd, a subsidiary of the Group, holds 47.47% equity of Xiamen Xiangyu Water Environmental Protection Technology Engineering Co., Ltd. (hereinafter referred to as “Xiamen Xiangyu Water”). Marvel Line Co., Ltd has been assessed to lose control and significant influence of Xiamen Xiangyu Water as a result of the lawsuit against Xiamen Kuo Hsin on 31 December 2022 (Please refer to Note IX (VI).5 for details).

(Note 2): The Group did not participate in the capital increase case of Fujian Taiming Cast Pipe on 5 May 2022; therefore, it lost its control over Fujian Taiming Cast Pipe and the investment in Fujian Taiming Cast Pipe was reclassified as investment accounted for using equity method after fair value evaluation. In addition, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence Fujian Taiming Cast Pipe’s operational decisions through voting on the proposal on 30 November 2022, resulting in the loss of significant influence of the Group. Therefore, the group stopped measuring the investment using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

### Investments in associates

The Group’s investments in Fujian Taiming Casting Technology Co., Ltd. is not individually material. The related share of investment from the associates amounted to NT\$0 thousand for the year ended 31 December 2022.

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

2022

Profit or loss from continuing operations	\$(128,745)
Other comprehensive income (post-tax)	-
Total comprehensive income	\$(128,745)

The Group's investments in Xiamen Xiangyu Water and Environmental Technology Engineering Co., Ltd. is not individually material. The related share of investment from the associates for the years ended 31 December 2022 and 2021 amounted to NT\$0 thousand and NT\$3,197 thousand, respectively.

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

	2022	2021
Profit or loss from continuing operations	\$-	\$197
Other comprehensive income (post-tax)	(47)	(23)
Total comprehensive income	\$(47)	\$174

#### 10. Property, plant and equipment

	31 Dec. 2022	31 Dec. 2021
Owner occupied property, plant and equipment	\$367,969	\$1,399,304

Owner occupied property, plant and equipment

	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2022	\$112,911	\$593,641	\$1,863,211	\$259,999	\$102,208	\$2,931,970
Addition	1,320	2,504	10,167	5,268	24,210	43,469
Disposal	-	(2,147)	-	(1,954)	-	(4,101)
Other	-	(327,376)	(849,686)	(102,245)	(124,209)	(1,403,516)
Exchange Difference	-	8,258	22,284	2,530	2,479	35,551
31 Dec. 2022	\$114,231	\$274,880	\$1,045,976	\$163,598	\$4,688	\$1,603,373
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	\$112,911	\$593,641	\$1,863,211	\$259,999	\$102,208	\$2,931,970
Depreciation and impairment:						
1 Jan. 2022	\$-	\$222,442	\$1,164,711	\$145,513	\$-	\$1,532,666
Depreciation	-	14,866	27,685	10,128	-	52,679

Impairment (Note)	-	-	64	224	2,189	2,477
Disposal	-	(701)	-	(1,463)	-	(2,164)
Other	-	(73,194)	(257,498)	(28,961)	-	(359,653)
Exchange Difference	-	1,783	6,953	663	-	9,399
31 Dec. 2022	<u>\$-</u>	<u>\$165,196</u>	<u>\$941,915</u>	<u>\$126,104</u>	<u>\$2,189</u>	<u>\$1,235,404</u>
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>
Net book value:						
31 Dec. 2022	<u>\$114,231</u>	<u>\$109,684</u>	<u>\$104,061</u>	<u>\$37,494</u>	<u>\$2,499</u>	<u>\$367,969</u>
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>

(Note) The Group reduced part of the PPE to recoverable amounts for the year ended 31 December 2022 and 2021, resulting in an impairment loss of NT\$2,477 thousand and NT\$8,709 thousand, which was recognized in the non-operating income and expenses of the consolidated income statement. Please refer to Note VI(24) for details.

Some of the Group's land accounted for as property, plant and equipment has not yet been available for transfer in the name of the Group and is registered in the name of the third party because the land is for agricultural use.

Refer to Note VIII for details on property, plant and equipment under pledge.

#### 11. Intangible assets

	Goodwill	Franchise	Computer software	Development cost	Total
Cost:					
1 Jan. 2022	\$47,088	\$1,651,496	\$4,043	\$43,197	\$1,745,824
Addition - acquired separately (Note)	-	217,676	-	-	217,676
Other	-	-	(432)	-	(432)
Exchange difference	-	-	10	-	10
31 Dec. 2022	<u>\$47,088</u>	<u>\$1,869,172</u>	<u>\$3,621</u>	<u>\$43,197</u>	<u>\$1,963,078</u>
1 Jan. 2021	\$47,088	\$1,481,039	\$4,156	\$43,197	\$1,575,480
Addition - acquired separately (Note)	-	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>
Amortization and impairment:					
1 Jan. 2022	\$47,088	\$286,506	\$3,465	\$43,197	\$380,256
Amortization	-	66,046	247	-	66,293
Other	-	-	(163)	-	(163)
Exchange difference	-	-	3	-	3
31 Dec. 2022	<u>\$47,088</u>	<u>\$352,552</u>	<u>\$3,552</u>	<u>\$43,197</u>	<u>\$446,389</u>
1 Jan. 2021	\$47,088	\$227,874	\$3,154	\$43,197	\$321,313
Amortization	-	58,632	358	-	58,990
Other	-	-	(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>
Net book value:					
31 Dec. 2022	<u>\$-</u>	<u>\$1,516,620</u>	<u>\$69</u>	<u>\$-</u>	<u>\$1,516,689</u>
31 Dec. 2021	<u>\$-</u>	<u>\$1,364,990</u>	<u>\$578</u>	<u>\$-</u>	<u>\$1,365,568</u>

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

As at 31 December 2022 and 2021, the amount of intangible assets of the Group as a result of the service license agreement amounted to NT\$1,824,705 thousand and NT\$1,607,029 thousand, respectively. Please refer to Note VI(12) for details.

Intangible assets amortization is as follows:

	2022	2021
Operating cost	\$66,060	\$58,660
Operating expense	233	330
Total	<u>\$66,293</u>	<u>\$58,990</u>

No intangible assets were pledged as collateral.

## 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 on 23 August 2012 for operation. 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 2022 and 2021, the amount of intangible assets generated by the Group as a result of the aforementioned service concession agreement amounted to NT\$1,824,705 thousand and NT\$1,607,029 thousand, respectively.

As at 31 December 2022 and 2021, the Group's receivables recognized by the discounted value of the consideration receivable due to the service concession agreement on each reporting day were as follows:

	31 Dec. 2022	31 Dec. 2021
Service concession receivable	<u>\$3,422,861</u>	<u>\$3,512,285</u>
Current	\$143,596	\$130,591
Non-current	<u>3,279,265</u>	<u>3,381,694</u>
Total	<u>\$3,422,861</u>	<u>\$3,512,285</u>

The Group's interest income from financial assets (reported under other operating income) amounted to NT\$162,948 thousand and NT\$166,383 thousand, as at 31 December 2022 and 2021, the interest receivable amounted to NT\$67,895 thousand and NT\$55,461 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. Please refer to Note VIII for more details.

### 13. Short-term loans

	Interest rate range	31 Dec. 2022	31 Dec. 2021
Unsecured loans	-	\$-	\$50,000
Secured loans	2.20%~2.97%	489,980	1,427,407
Related Party loans	-	-	17,919
Total		<u>\$489,980</u>	<u>\$1,495,326</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 follows:

	31 Dec. 2022	31 Dec. 2021
Commercial paper payable	\$-	\$10,000
Less: Discount of commercial paper payable	-	(42)

Total	\$-	\$9,958
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15. Other Payable

	31 Dec. 2022	31 Dec. 2021
Salaries payable	\$41,735	\$47,802
Other expenses payable	108,485	279,212
Equipment payments payable	1,618	74,023
Other payable - other	2,516	62,602
Total	\$154,354	\$463,639

16. Bonds payable

	31 Dec. 2022	31 Dec. 2021
Secured and non-convertible bonds	\$250,000	\$250,000
Less: Discount of bonds payable	(376)	(49)
Net	249,624	249,951
Less: Current portion	-	(249,951)
Total	\$249,624	\$-

- (1) On 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 2 April 2022.
- (2) On 11 January 2022, the Group issued secured bond amounted to NT\$250,000 thousand with par rate of 0.63%. The issuance period is from 11 January 2022 to 11 January 2025.
- (3) Please refer to Note VI (24) for the interest expenses of bonds payable.

17. Long-term loans

Details are as follows:

Creditors	31 Dec. 2022	Interest Rate (Note)	Redemption
Fubon Bank Secured Loan (Administrative bank of syndicate loan amount)	\$1,910,300		From 7 November 2022 to 30 June 2028, with repayment commencing on 30 December 2022, the quarterly repayment amount shall not be less than the minimum amount agreed between the parties, and interest shall be paid monthly.
Shanghai Commercial Bank Secured Loan	6,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.

Creditors	31 Dec. 2022	Interest Rate (Note)	Redemption
Shanghai Commercial Bank Secured Loan	26,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	110,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	54,710		From 28 October 2020 to 28 October 2023, interest will be paid monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	13,675		From 5 October 2021 to 5 April 2023, repayment began on 5 November 2021, amortized and interest paid monthly.
Taichung Bank Leasing Co., Ltd. Credit Loan	143,680		From 15 October 2021 to 15 March 2026, interest will be paid monthly basis and will be deducted at 40% of the actual remitted payment, in remaining balance will be repaid upon maturity in a lump sum.
Taichung Bank Leasing Co., Ltd. Credit Loan	6,250		From 22 March 2021 to 22 March 2023, repayment began on 22 April 2021, amortized and interest paid monthly.
O-Bank Secured Loan	30,000		From 26 September 2022 to 26 September 2023, interest will be paid monthly basis and will be deducted at 40% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum. The use period of the quota is from 15 June 2022 to 14 June 2025, with revolving credit.
Subtotal	2,300,615		
Less: current portion	(308,635)		
Less: unamortized expenses	(20,650)		
Total	<u>\$1,971,330</u>		

Note: Interest rate range is between 2.23%~4.38%.

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	23,317		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.
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 (CNY 192,000 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 (CNY 2,400 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 28 October 2020 to 28 October 2023, interest will be paid monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	16,656		From 3 August 2020 to 3 August 2022, repayment began on 3 September 2020, interest was paid on a monthly basis and principal was repaid at maturity.
FCB Leasing Co., Ltd. Credit Loan	53,526		From 5 October 2021 to 5 April 2023, repayment began on 5 November 2021, interest and principal were paid on a monthly basis.



Creditors	31 Dec. 2021	Interest Rate (Note)	Redemption
Taichung Bank Leasing Co., Ltd. Credit Loan	31,250		From 22 March 2021 to 22 March 2023, repayment began on 22 April 2021, amortized and interest paid monthly.
Taichung Bank Leasing Co., Ltd. Credit Loan	150,000		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.
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	2,362,913		
Less: current portion	(992,020)		
Less: unamortized expenses	(15,110)		
Total	<u>\$1,355,783</u>		

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

- (1) Please refer to Note VIII for the mortgage pledged 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: (Total Debt/Tangible Net Value + Building Connection Project ): No higher than 165%.
  - B. Times Interest Earned Ratio [(Profit after Tax + Depreciation + Amortization + Net Interest Expense)/ (Net Interest Expense)], not less than 2 times.
  - C. (Tangible Net Value + Building Connection Project ): No less than Equity Capital Amount — \$30 million.

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

- (3) For the construction and operation of the Miaoli County Government's sewage and sewer project and the settlement, KUO YANG ENVIRONMENT TECHNOLOGY CO., LTD. one

of the subsidiaries, entered into a joint credit facility (Taipei Fubon Commercial Bank and 11 other institutions) on 7 September 2022. The signing of the new agreement replaced the joint credit contract signed in the third quarter of 2013. For the duration of the loan, KUO YANG ENVIRONMENT TECHNOLOGY CO., LTD. commits to maintaining the following financial ratios in its annual financial report:

- A. Debt ratio (total liabilities/shareholders' equity): No higher than 135%.
  - B. Interest coverage ratio [(net profit before tax + depreciation + amortization + net interest expense) / net interest expense]: No less than 3 times. The aforementioned amortization includes the amortization of long-term receivables - financial assets and intangible assets - franchise.
  - C. Shareholders' equity: no less than NT\$3,000,000,000.
- (4) 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. (Note) signed a contract with a syndicated loan banks (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 CNY 200 million at any time.

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Group. Therefore, the Group stopped accounting for

the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income. Please refer to note VI(28) for more details.

- (5) 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 adopts 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 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 2022 and 2021 were NT\$10,351 thousand and NT\$20,256 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 Group 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 Group 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 Group expects to contribute NT\$1,155 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.

As at 31 December 2022 and 2021, the Group's defined benefit plans are expected to mature in 2030 and 2029, respectively.

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

	2022	2021
Current service cost	\$785	\$1,724
Net interest on the net defined benefit liability (asset)	126	126
Total	<u>\$911</u>	<u>\$1,850</u>

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

	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Defined benefit obligation	\$47,661	\$64,324	\$78,732
Plan assets at fair value	(39,879)	(37,019)	(35,210)
Net defined benefit liabilities	<u>\$7,782</u>	<u>\$27,305</u>	<u>\$43,522</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. 2021	\$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	<u>80,685</u>	<u>(35,313)</u>	<u>45,372</u>
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 cost of defined benefit plan recognized to profit and loss:			
Current service cost	785	-	785
Interest expense (income)	302	(176)	126
Subtotal	65,411	(37,195)	28,216
Remeasurements of the defined benefit liabilities/assets:			
Actuarial gains and losses arising from changes in financial assumptions	(3,465)	-	(3,465)
Experience adjustments	(10,757)	-	(10,757)
Remeasurements of the defined benefit Assets	-	(3,024)	(3,024)
Subtotal	(14,222)	(3,024)	(17,246)
Payment of benefit obligation	(3,528)	3,528	-
Contribution by employer	-	(3,188)	(3,188)
31 Dec. 2022	\$47,661	\$(39,879)	\$7,782

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

	31 Dec. 2022	31 Dec. 2021
Discount rate	1.32%	0.47%
Expected rate of salary increase	1.00%	1.00%

	2022		2021	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount rate increase by 0.25%	\$-	\$(947)	\$-	\$(1,421)
Discount rate decrease by 0.25%	978	-	1,472	-
Rate of future salary increase by 0.25%	963	-	1,439	-
Rate of future salary decrease by 0.25%	-	(938)	-	(1,397)

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

There was no change in the methods and assumptions used in preparing the sensitivity analysis

compared to the previous period.

## 19. Equity

### (1) Common stock

As at 31 December 2022 and 2021, the Company's authorized common share capital totaled NT\$3,000,000 thousand, each at a par value of NT\$10 for 300,000 thousand shares. Both the issued share capital amounted to NT\$2,480,782 thousand, at a par value of NT\$10 per share, accounting for 248,078 thousand shares. Each share has one voting right and the right to receive dividends.

### (2) Capital surplus

	31 Dec. 2022	31 Dec. 2021
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	12,746	12,746
Invalidation of employee stock options	11,367	11,367
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) 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 both amounted to NT\$39,793 thousand as of 1 January 2022 and 2021. 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 2022 and 2021, the amount of the first adoption of retained earnings were both NT\$39,793 thousand.

The Company’s distributions of earnings and cash dividends per share for the years ended 2021 and 2020 were approved respectively through the shareholders’ meetings on 9 June 2022 and 22 July 2021. The plans were as follows:

	Appropriation of earnings		Dividend per share (NT\$)	
	2021	2020	2021	2020
Legal reserve	\$44,721	\$9,959		
Special reserve	7,801	(25,909)		

Cash dividends	124,039	62,020	NT\$0.5 per share	NT\$0.25 per share
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The Company's distribution of earnings and cash dividends per share for the year ended 2022 was not proposed at the board meeting held on 13 March 2023.

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

(4) Non-controlling interests:

	2022	2021
Balance as at 1 January	\$1,941,958	\$2,066,570
Attributable to non-controlling interests net income	(3,144)	(121,330)
Attributable to non-controlling interests through other comprehensive income:		
Disposal of subsidiaries	(307,587)	-
Exchange differences resulting from translating the financial statements of foreign operations	9,443	(3,282)
Balance as at 31 December	<u>\$1,640,670</u>	<u>\$1,941,958</u>

20. Operating revenues

	2022	2021
Revenue from clients		
Sales - merchandise	\$1,638,143	\$2,588,053
Sales - construction	1,678,131	1,582,837
Sales - rendering of services	312,501	283,762
Other sales revenue	162,948	166,383
Total	<u>\$3,791,723</u>	<u>\$4,621,035</u>

Analysis of revenue from contracts with customers for the years ended 2022 and 2021 was as follows:

(1) Disaggregation of revenue

For the year ended 31 December 2022:

Taiwan	China	
Operating	Operating	Total



	Department	Department	
Pipe fittings	\$783,037	\$571,837	\$1,354,874
Public work construction revenue	1,320,404	-	1,320,404
Water treatment project Venture revenue - service concession agreement	357,727	-	357,727
Water treatment operation maintenance revenue	307,872	-	307,872
Service concession interest revenue	162,948	-	162,948
Other revenue	4,629	283,269	287,898
Total	<u>\$2,936,617</u>	<u>\$855,106</u>	<u>\$3,791,723</u>

	Taiwan Operating Department	China Operating Department	Total
Timing of revenue recognition:			
Goods transferred at a point in time	\$783,037	\$855,106	\$1,638,143
Construction transferred over time	1,678,131	-	1,678,131
Labor transferred over time	312,501	-	312,501
Recognized over time by effective interest rate method	162,948	-	162,948
Total	<u>\$2,936,617</u>	<u>\$855,106</u>	<u>\$3,791,723</u>

For the year ended 31 December 2021:

	Taiwan Operating Department	China Operating Department	Total
Pipe fittings	\$680,254	\$1,907,799	\$2,588,053
Public work construction revenue	1,212,691	-	1,212,691
Water treatment project Venture revenue - service concession agreement	370,146	-	370,146
Water treatment operation maintenance revenue	278,798	-	278,798
Service concession interest revenue	166,383	-	166,383
Other revenue	4,964	-	4,964
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	\$680,254	\$1,907,799	\$2,588,053

Construction transferred over time	1,582,837	-	1,582,837
Labor transferred over time	283,762	-	283,762
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>

## (2) Contract balances

### A. Contract assets - current

	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Public work construction	\$925,468	\$746,577	\$752,697
Service concession agreement	905,501	788,039	551,919
Total	<u>\$1,830,969</u>	<u>\$1,534,616</u>	<u>\$1,304,616</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 2022, 31 December 2021, and 1 January 2021 amounted to NT\$97,396 thousand, NT\$82,883 thousand and NT\$51,965 thousand, respectively, which were classified as contract assets.

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

Project	2022	2021
Service concession agreement	\$33,538	\$25,619
Capitalized borrowing cost interest rate range	2.20% ~ 4.38%	2.25% ~ 3.50%

### B. Contract liabilities – current

	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Public work construction	\$7,740	\$108,706	\$171,253
Advance receipts	48,976	70,673	42,775
Total	<u>\$56,716</u>	<u>\$179,379</u>	<u>\$214,028</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 2022 and 2021.

21. Expected credit (gains) / losses

	2022	2021
Operating expense- expected credit (gains) losses		
Contract assets	\$-	\$-
Notes receivable	-	-
Accounts receivable and long-term receivable	(5,068)	37,474
Total	<u>\$(5,068)</u>	<u>\$37,474</u>

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

The credit risk for financial assets measured at amortized cost as at 31 December 2022 and 2021 was assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Group transacts with financial institutions with good credit, no allowance for losses has been provided in current period.

The Group measures the loss allowance of its contract assets and trade receivables (including note receivables, accounts receivables and long-term receivables) at an amount equal to lifetime expected credit losses. The 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 follows:

- (1) As at 31 December 2022 and 2021, the total book value of the contract assets was NT\$1,830,969 thousand and NT\$1,534,616 thousand, respectively, 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 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 2022 and 2021 amounted to NT\$0

thousand and NT\$26,029 thousand, respectively; the allowance amounted to NT\$0 thousand and NT\$26,029 thousand, respectively. The related information is as follows:

As at 31 December 2022

Group: Taiwan

	Not yet due	Overdue				Total
	(Note)	<=90 days	91-180 days	181-360 days	>=361 days	
Gross carrying amount	\$3,867,040	\$-	\$-	\$-	\$2,651	\$3,869,691
Loss ratio	0%	0%	0%	0%	100%	
Lifetime expected credit losses	-	-	-	-	(2,651)	(2,651)
Carrying amount	\$3,867,040	\$-	\$-	\$-	\$-	\$3,867,040

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

As at 31 December 2021

Group 1: Taiwan

	Not yet due	Overdue				Total
	(Note)	<=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 notes 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	\$116,452	\$25,478	\$1,170	\$96,267	\$18,412	\$257,779

carrying amount						
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%	6.10%	28.04%	53.87%		
	~0.93%	~11.54%	~40.81%	~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

The movement in the provision for impairment of contract assets, notes receivables and accounts receivables for the years ended 31 December 2022 and 2021 was as follows:

	Contract assets	Notes receivables	Accounts receivables
1 Jan. 2022	\$-	\$-	\$117,759
Reversal for the current period	-	-	(5,068)
Write-off due to uncollectible	-	-	(6,647)
Other changes	-	-	(106,287)
Exchange difference	-	-	2,894
31 Dec. 2022	\$-	\$-	\$2,651
1 Jan. 2021	\$-	\$-	\$81,820
Addition for the current period	-	-	37,474
Write-off due to uncollectible	-	-	(1,789)
Exchange difference	-	-	254
31 Dec. 2021	\$-	\$-	\$117,759

22. Leases

(1) Group as a lessee

The Group leases land. The lease terms range from 35 years.

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

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

The carrying amount of right-of-use assets

	31 Dec. 2022	31 Dec. 2021
Land	\$14,492	\$142,252

The Group's additions to right-of-use assets for the years ended 31 December 2022 and 2021 amounted to NT\$31 thousand and NT\$0 thousand, respectively.

(b) Lease liabilities

	31 Dec. 2022	31 Dec. 2021
Current	\$594	\$526
Non-current	14,499	15,145
Total	\$15,093	\$15,671

Please refer to Note VI (24) for the interest on lease liabilities recognized for the years ended 31 December 2022 and 2021. Please refer to Note XII (5) Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2022 and 2021.

B. Amounts recognized in the statement of profit or loss

Depreciation charge for right-of-use assets

	2022	2021
Land	\$1,706	\$3,009

C. Income and costs relating to leasing activities

	2022	2021
The expenses relating to short-term leases	\$11,912	\$16,815

D. Cash outflow relating to leasing activities

The Group's total cash outflows for leases for the years ended 31 December 2022 and 2021 amounted to NT\$12,490 thousand and NT\$17,353 thousand, respectively.

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

	2022			2021		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$228,301	\$90,347	\$318,648	\$303,261	98,123	\$401,384
Labor and health insurance	16,953	4,825	21,778	18,567	4,449	23,016
Pension	7,674	3,588	11,262	18,045	4,061	22,106
Remuneration of directors	-	22,084	22,084	-	9,557	9,557
Other personnel expenses	10,972	4,176	15,148	11,773	10,620	22,393
Depreciation	41,368	13,017	54,385	125,088	13,423	138,511
Amortization	66,060	233	66,293	58,660	330	58,990

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 2022 to be in the amount of NT\$20,678 thousand and NT\$16,294 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 2021 to be in the amount of NT\$11,799 thousand and NT\$5,899 thousand, respectively, which was recognized as employee benefits expense.

A resolution was approved at a Board meeting held on 13 March 2023 to distribute NT\$20,678 thousand and NT\$16,294 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements for the year ended 2022.

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 2021.

24. Non-operating income and expenses

(1) Other income

	2022	2021
Interest income	\$6,465	\$15,356
(Gain) on bargain purchase	26,248	-
Other income-other	3,638	22,048
Total	<u>\$36,351</u>	<u>\$37,404</u>

(2) Other gains and losses

	2022	2021
(Loss) on disposal of property, plant and equipment	\$(1,801)	\$(30,465)
Disposal of investment (gains) accounted for using the equity method	233,341	-
Non-financial asset impairment loss	(2,477)	(8,709)
Foreign exchange (gains) losses, net	(31,243)	11,629
Others	(15,319)	(16,512)
Total	<u>\$182,501</u>	<u>\$(44,057)</u>

(3) Finance costs

	2022	2021
Interest expenses	<u>\$(59,193)</u>	<u>\$(98,188)</u>

25. Components of other comprehensive income

For the year ended 31 December 2022

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$17,246	\$(3,449)	\$13,797
Unrealized (losses) from equity instruments measured at fair value through other comprehensive income	(19,845)	-	(19,845)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign	<u>72,938</u>	<u>-</u>	<u>72,938</u>



operations			
Total other comprehensive income	<u>\$70,339</u>	<u>\$(3,449)</u>	<u>\$66,890</u>

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>

## 26. Income tax

The major components of income tax expense (income) for the years ended 2022 and 2021 were as follows:

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

	2022	2021
Current income tax expense:		
Current income tax charge	\$166,021	\$136,241
Adjustments in respect of current income tax of prior periods	4,054	(36)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	38,233	28,170
Other	787	(249)
Total income tax expense	<u>\$209,095</u>	<u>\$164,126</u>

### Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax expenses (benefits):		
Determine the benefit plan and then measure the number	\$3,449	\$(290)
Income tax related to other comprehensive profit and loss	<u>\$3,449</u>	<u>\$(290)</u>

components

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

	2022	2021
Accounting profit before tax from continuing operations	\$831,097	\$491,163
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$205,466	\$147,535
Tax effect of revenues exempt from taxation	(23,540)	(8,574)
Tax effect of expenses not deductible for tax purposes	319	74
Tax effect of deferred tax assets/liabilities	9,806	22,692
Adjustments in respect of current income tax of prior periods	4,054	(36)
Undistributed retained earnings - levy	13,532	2,684
Other income tax effects adjusted in accordance with the Tax Act	(1,329)	-
Others	787	(249)
Total income tax expense recognized in profit and loss	\$209,095	\$164,126

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

For the year ended 31 December 2022:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Other	Ending balance
Temporary difference					
Net defined benefit liabilities-non-current	\$5,461	\$(455)	\$(3,449)	\$-	\$1,557
Inter-affiliated company transactions	1,997	(215)	-	-	1,782
Unrealized impairment loss	11,895	12	-	-	11,907
Loss deduction	30,616	-	-	(30,616)	-
Land appreciation tax preparation	(13,383)	-	-	-	(13,383)
Investment under the equity method	(107,580)	(29,336)	-	-	(136,916)
Lease concession agreement	(129,123)	(20,052)	-	-	(149,175)
Other	12,614	11,813	-	(806)	23,621
Deferred income tax benefits (expenses)		<u>\$(38,233)</u>	<u>\$(3,449)</u>	<u>\$(31,422)</u>	
Deferred income tax assets/(liabilities) net	<u>\$(187,503)</u>				<u>\$(260,607)</u>
The information expressed on					

the balance sheet is as follows:

Deferred tax assets	<u>\$64,426</u>	<u>\$42,415</u>
Deferred income tax liabilities	<u>\$(251,929)</u>	<u>\$(303,022)</u>

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>

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

Year of occurrence	Unused balance		Last deductible year
	31 Dec. 2022	31 Dec. 2021	
2011	\$-	\$19,148	2021
2012	27,352	27,352	2022
2013	36,950	36,950	2023
2014	30,842	30,842	2024
2015	32,926	32,926	2025
2016	5,473	6,893	2026
2017	18,462	129,245	2027
2018	35,078	35,099	2028
2018	-	5,960	2023
2019	37,494	37,583	2029
2019	-	13,025	2024
2020	34,867	36,040	2030
2021	31,377	19,324	2031
2022	13,326	-	2032

\$304,147	\$430,387
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#### Unrecognized deferred income tax assets

As at 31 December 2022 and 2021, the total amount of unrecognized deferred income tax assets of the Group was NT\$ 132,926 thousand and NT\$168,455 thousand, respectively.

#### The assessment of income tax returns

As at 31 December 2022, the Group's income tax filings were as follows:

	<u>The assessment of income tax returns</u>
The Company	2020
Subsidiary - Hsiyu	2020
Subsidiary - Dinteng	2020
Subsidiary - Jianyi	2020
Subsidiary – Kuo Chuang	2020
Subsidiary – Kuo Hsin	2020
Subsidiary – Jie Mao	2020
Subsidiary – Kuo Yang	2020

#### 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>2022</u>	<u>2021</u>
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$625,146</u>	<u>\$448,367</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	<u>248,078</u>	<u>248,078</u>
Basic earnings per share (NT\$)	<u>\$2.52</u>	<u>\$1.81</u>

	2022	2021
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$625,146	\$448,367
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Effect of dilution:		
Employee bonus - stock (in thousands)	1,060	554
Weighted average number of ordinary shares outstanding after dilution (in thousands)	249,138	248,632
Diluted earnings per share (NT\$)	\$2.51	\$1.80

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. Changes in the Group's interests in its subsidiaries

### Loss of control of subsidiaries

- (1) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. Fujian Taiming Casting Pipe's wholly-owned subsidiaries, Fujian Taiming Trading Co., Ltd. and Linwu Taiming Pipe Industry Technology Co., Ltd., were not included in the consolidated report preparation. The investment was reclassified using the equity method after being evaluated at fair value. The carrying amounts of assets and liabilities of Fujian Taiming Casting Pipe on the date of losing control is as follows:

	Book Value
Cash and cash equivalents	\$156,800
Financial assets measured at amortized cost (including non-current)	126,875
Notes and accounts receivable	342,160
Inventory	917,361
Other receivables	8,369
Other current assets	520,162
Property, plant and equipment	1,042,194
Intangible assets	255
Right-of-use assets	129,321
Deferred tax assets	31,423
Other non-current assets	157,708
Short-term loans	(422,297)

Current contract Liabilities	(109,044)
Accounts payable	(574,840)
Other current liabilities	(27,418)
Long-term loans (including within one year)	(941,704)
Deposited margin	(345,630)
Other payables	(395,023)
Total net assets	616,672
Net equity attributable to non-controlling interests	(277,502)
Net equity investment at the date of disposal	<u>\$339,170</u>

#### Gain on disposal of subsidiary

Fair value of residual investments	\$591,365
Reduce: Net disposal assets	(339,170)
Reduce: Exchange differences on translation of foreign operating companies disposed of	(45,656)
Gain on disposal of subsidiary	<u>\$206,539</u>

In addition, on 30 November 2022, the Group assessed that it did not intend to participate in financial and operational decisions of Fujian Taiming Casting Pipe, and could not affect the formulation of Fujian Taiming Casting Pipe's operating decisions by participating in voting on proposals, the Group lost control of it as a result. Therefore, the equity method was no longer used to account for the investment and the investment was reclassified as financial assets measured at fair value through other comprehensive income.

- (2) The Group was assessed for loss of control and significant influence on 31 December 2022 due to the lawsuit of its sub-subsidiary—Xiamen Kuo Hsin Century Technology Co., Ltd. (Please refer to Note IX (VI).5 for details). Therefore, the Group has stopped accounting for the investment using the equity method and reclassified it as financial assets measured at fair value through other consolidated income. The carrying amount of assets and liabilities on the day when Xiamen Guoxin lost control was as follows:

	Book Value
Cash and cash equivalents	\$19,222
Financial assets measured at amortized cost (including non-current)	337,999
Notes and accounts receivable	20,942
Other receivables	21,658
Inventory	210
Other current assets	226,802
Financial assets at fair value through other comprehensive income	108,598
Investments accounted for under equity method	3,244

Property, plant and equipment	1,669
Right-of-use assets	31
Intangible assets	14
Short-term loans	(6,351)
Current contract liabilities	(12,079)
Accounts payable	(384,658)
Other current liabilities	(3,506)
Total net assets	333,795
Net equity attributable to non-controlling interests	(30,085)
Net equity investment at the date of disposal	<u>\$303,710</u>
Gain on disposal of subsidiary	
Fair value of residual investments	\$303,710
Reduce: net disposal assets	(303,710)
Gain on disposal of subsidiary	<u>\$-</u>

## 29. 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. 2022	31 Dec. 2021
Dingteng co., Ltd.	Taiwan	49.50%	49.50%
Fujian Taiming Cast Pipe Technology Co., Ltd.	China	(Note)	45.00%

Cumulative balance of significant non-controlling equity:

	31 Dec. 2022	31 Dec. 2021
Dingteng co., Ltd.	\$1,621,786	\$1,551,948
Fujian Taiming Cast Pipe Technology Co., Ltd.	(Note)	340,678

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

	2022	2021
Dingteng co., Ltd.	\$69,838	\$64,949
Fujian Taiming Cast Pipe Technology Co., Ltd.	(72,214)	(179,364)

Dividends paid to material non-controlling equity:

2022	2021
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Dingteng co., Ltd.	\$-	\$-
Fujian Taiming Cast Pipe Technology Co., Ltd.	-	-

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence over the company. Therefore, the Group stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income. Please refer to note VI(28) for more details.

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

The aggregate summary information of profit and loss for the year ended 2022:

	Dingteng Co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating Income	\$-	\$626,398
Net profit (loss) from continuing operations	\$141,087	\$(160,475)
Other comprehensive profit/loss from continuing operations	-	20,125
Total comprehensive income	\$141,087	\$(140,350)

The aggregate financial information of profit and loss for the year ended 2021:

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

The Group's aggregate financial information on its assets and liabilities as at 31 December 2022:

Dingteng co., Ltd.	Fujian Taiming Cast Pipe
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		Technology Co., Ltd. (Note)
Current asset	\$7,060	\$-
Non-current asset	3,272,233	-
Current liability	(2,957)	-
Non-current liability	-	-

The Group's aggregate financial information on its assets and liabilities 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)

The Group's aggregate financial information on its cash flows as at 31 December 2022:

	Dingteng Co., Ltd.	Fujian Taiming Cast Pipe Technology Co., Ltd.
Operating activities	\$1,290	\$6,470
Investing activities	-	(79,295)
Financing activities	-	(90,728)
Exchange rate effects	-	6,909
Net increase in cash and cash equivalents	\$1,290	\$(156,644)

The Group's aggregate financial information on its 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

## VII. RELATED PARTIES TRANSACTIONS

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

### 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. (Sangang Minguang)	Company controlled by legal person shareholder of subsidiary (Note 5)
Sanming Sangang Construction Engineering Co., Ltd. (Sangang Construction)	Company controlled by legal person shareholder of subsidiary (Note 5)
Fujian Sangang Mingguang Machinery Foundry Co., Ltd. (Sangang Mingguang)	Company controlled by legal person shareholder of subsidiary (Note 5)
Fujian Sanming Hongtong Water Environmental Consulting Co., Ltd. (Sanming Hongtong Water)	Related parties of the group (Note 5)
Fujian TaiMing Casting Pipe Technology Co., Ltd. (Fujian Taiming Casting Pipe)	Affiliates of the Group (Note 1)
Xiamen Guohsin Century Technology Co., Ltd. (Xiamen Guohsin)	Affiliates of the Group (Note 6)
Hong Ya Man	Director and president of the Company
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 (Note 4)
Du Guan Zhen	Vice president of the Company

Note 1: On 5 May 2022, because the Group did not participate in the capital increase of Fujian Taiming Casting Pipe, it lost control over Fujian Taiming Casting Pipe, and the investment was evaluated at fair value and classified as an investment accounted for using the equity method. In addition, the Group assessed on 30 November 2022 that it did not intend to participate in financial and operational decisions of Fujian Taiming Casting Pipe, and could not affect the formulation of the operating decisions of Fujian Taiming Casting Pipe through voting on proposals, resulting in losing control of the company. Therefore, the investment accounted for using the equity method is discontinued and transferred to financial assets measured at fair value through other comprehensive profit or loss. Since the loss of control, Fujian Taiming Casting Pipe and its wholly owned Fujian Taiming Trading Co., Ltd. and Linwu Taiming Pipe Industry Technology Co., Ltd. have been listed as affiliated companies of the Group.

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.

Note 4: Terminated the appointment of Vice President of the Company on 28 June 2022.

Note 5: As described in Note 1 above, the companies and material related parties controlled by the corporate shareholders of its subsidiaries were no longer related parties of the Group as at the date of loss of control.

Note 6: As a result of the lawsuit of Xiamen Guoxin Century Technology Co., Ltd., a subsidiary of the Group (please refer to Note IX(VI).5 for details), the Group will lose control and significant influence over the subsidiary on 31 December 2022. Therefore, the investment accounted for using the equity method was discontinued and transferred to financial assets measured at fair value through other comprehensive gains and losses. Please refer to Note VI (28) for details of the transaction. After losing control, Xiamen Guoxin was listed as an affiliated enterprise of the Group.

#### Significant related party transactions

##### 1. Sales

	2022	2021
Sanming Hongtong water (Note)	\$140,201	\$133,578
Fujian Taiming Cast Pipe	211,197	-
Total	<u>\$351,398</u>	<u>\$133,578</u>

(Note) As at 31 December, 2022, there was no change in the original currency amount of the transactions between the Group and the related parties, and the amount of change was the effect of exchange rate change.

##### 2. Purchase

	2022	2021
Sanming Hongtong Water	\$-	\$93,996
Sangang Mingguang (Note)	7,477	291
Total	<u>\$7,477</u>	<u>\$94,287</u>

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.

(Note) As at 31 December, 2022, there was no change in the original currency amount of the transactions between the Group and the related parties, and the amount of change was the effect of exchange rate change.

### 3. Accounts receivable

	31 Dec. 2022	31 Dec. 2021
Fujian Taiming Casting Pipes (Note)	\$16,417	\$-

(Note) As at 31 December 2022, there was no change in the amount of original currency transactions between the Group and the related parties, and the amount of change was the effect of exchange rate change.

### 4. Other receivables and long-term receivables

	31 Dec. 2022	31 Dec. 2021
Fujian Taiming Casting Pipes	\$5,506	\$-
Xiamen Guoxin (Note)	343,171	-
Total	\$348,677	\$-

(Note) The Group's subsidiary, Marvel Line Co., Ltd. (hereinafter referred to as "Marvel Line"), held 91% of the shares of Xiamen Guoxin. The Group assessed that it lost control and significant influence over Xiamen Guoxin as at 31 December 2022 (please refer to Note IX (VI).5). Therefore, Marvel Line' financing of \$249,831 thousand (CNY 57,000 thousand) to Xiamen Guoxin recognized interest receivable in the amount of \$93,340 thousand (CNY 21,296 thousand), which was reclassified as long-term receivables.

### 5. Accounts payable - related parties

	31 Dec. 2022	31 Dec. 2021
Others	\$-	\$327

### 6. Financing situations

As at 31 December 2022 and 2021, details of the fund transactions between the Group and its related parties were as follows:

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

	31 Dec. 2022	31 Dec. 2021
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Maximum balance	\$18,185 (CNY 4,149 thousand)	\$17,919 (CNY 4,149 thousand)
Ending balance	- (CNY 0 thousand)	17,919 (CNY 4,149 thousand)

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

Account listed Items	Categories of related parties	31 Dec. 2022	31 Dec. 2021
Other payables - related parties	Main management and other related parties	\$-	\$13,214

For the years ended 31 December 2022 and 2021, the Group's interest rates for the financing of the main management level were both 6%; thus, the interest expenses incurred were NT\$0 thousand (CNY 0 thousand) and NT\$171 thousand (CNY 40 thousand), respectively.

## 7. Others

- (1) As at 31 December 2022 and 2021, the Group's prepayments of purchase of raw materials from other related parties amounted to NT\$0 thousand and NT\$567 thousand (Note 5), which were recognized as 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) for the year ended 2019, which was recognized as property, plant and equipment. As at 31 December 2022 and 2021, the unpaid amounts were NT\$0 thousand (CNY 0 thousand) and NT\$6,636 thousand (CNY 1,536 thousand), respectively, which were listed under other payables of related parties.
- (3) As at 31 December 2022 and 2021, the Group borrowed money from financial institutions. In accordance with the requirements of part of the loan contract, the Group's key management provided joint guarantees.

## 8. Key management personnel compensation

	2022	2021
Short-term employee benefits	\$47,585	\$28,582
Post-employment benefits	970	930
Total	<u>\$48,555</u>	<u>\$29,512</u>

## VIII. ASSETS PLEDGED AS COLLATERAL

The Group's assets pledged as collateral are as follows:

Items	Book value		Purpose of pledge
	31 Dec. 2022	31 Dec. 2021	
Financial assets measured at amortized costs - current	\$563,544	\$1,177,244	Short-term loans, short-term notes payable, Penghu desalinated water contact performance guarantee, and construction performance guarantee
Financial assets measured at amortized costs – non-current	134,910	127,175	CPC credit sales collateral, long-term loans
Service concession receivable (Including current)	3,422,861	2,605,392	Long-term loans, Short-term loans
Property, plant and equipment	178,495	442,936	Long-term loans, Short-term loans
(Note)	473,450	677,660	Bond
Right-of-use assets	-	130,529	Long-term loans and Litigation Liability Guarantee
Total	<u>\$4,773,260</u>	<u>\$5,160,936</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. 2022	31 Dec. 2021
Performance guarantee for purchase contract	\$4,070	\$2,950
Performance guarantee for sales contract	86,061	86,061
Performance guarantee for financing contracts	100,000	100,000
Total	<u>\$190,131</u>	<u>\$189,011</u>

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

	31 Dec. 2022	31 Dec. 2021
Guarantee of performance of the contracted work	\$972,397	\$760,233
Guarantee of performance in the contract of sale	5,000	82,888
Total	<u>\$977,397</u>	<u>\$843,121</u>

3. As of 31 December 2022, and 2021, the Group issued the first-time domestic corporate bonds of 2019 guaranteed by bank in the amount of NT\$0 thousand and NT\$251,950 thousand, respectively.

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

4. As at 31 December 2022, the Group' long-term and short-term loans were guaranteed by

promissory notes issued under financing lines or drawdown lines, which were not included in the financial statements because of the nature of contingent liabilities.

#### 5. Joint venture contract:

Participants of the joint venture contracts	Case	31 Dec. 2022		31 Dec. 2021	
		Contract Total Price	Contract Proportion	Contract Total price	Contract Proportion
Sheng Ho Construction Co., Ltd.	A	\$-		\$158,095	20.00%
Sheng Ho Construction Co., Ltd.	B	-		158,055	20.00%
Sheng Ho Construction Co., Ltd.	C	-		279,048	65.00%
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	D				
		3,883,305	51.85%	3,883,305	51.85%
Mountain Forestry and Water Environmental Engineering Co., Ltd.	E				
		3,110,476	65.00%	3,110,476	65.00%
And Chin Cheng Construction Co., Ltd.					
Shenghe Construction Co., Ltd	F	379,638	30.00%	379,638	30.00%
Kao Kun Construction Co., Ltd.	G	1,722,857	25.00%	-	
Sheng Ho Construction Co., Ltd.	H	1,266,667	20.00%	-	
Yu Lin Engineering Co., Ltd.	I	420,952	20.00%	-	
Total		<u>\$10,783,895</u>		<u>\$7,968,617</u>	

#### 6. Contingent liabilities:

- (1) The completion date of the “New Construction of Hushan Water Purification Plant” contracted by the Group was determined to be 19 January 2017 by the proprietor. The proprietor believed that the Group had been overdue for 640 days and planned to impose a fine of NT\$406,476 thousand. (The fine will be 20% of the total contract price if the delay exceeds the upper limit regulated in the construction contract). The Group was notified by the proprietor on 1 March 2017 that the Group would 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 had already put the Group on the blacklist for one year (expired 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 Group’s overdue period of the project was 350 days. The Taichung High Administrative Court dismissed the Group’s suspension appeal. Although the suspension had been executed, the Group still appealed to the Supreme Administrative Court on 23 July 2019 for delays that could not be attributed to it. 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 was 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 30 December 2020, the proprietor intended to transfer the Group's accounts receivable in the amount 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 18 October 2021, the Taichung District Court of Taiwan ruled in the first instance that the proprietor shall pay the Group in the amount of NT\$373,207 thousand plus interest, and the proprietor appealed against the judgment. On 7 March 2022, the Group reached a settlement agreement with the proprietor after the second instance judge that the Taichung Branch of the High Court of Taiwan communicated with both parties. The proprietor agreed to pay the Group in the amount of NT\$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 the year ended 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 CNY 12,930 thousand and the liquidated damages for the civil action of CNY 944 thousand in the first quarter of 2020, and applied for property preservation, requesting to freeze the Group's bank deposits of CNY 14,000 thousand, which was approved by the People's Court of Yuhua District, Changsha City, Hunan Province. The Group applied for approval to change the subject matter of property preservation to the right-of-use assets for part of the land in the amount of CNY 6,230 thousand and the buildings and constructions of the Group's management and the Group's frozen deposits of CNY 1,030 thousand were recognized as non-current financial assets measured at amortized cost.

After the Group appointed a lawyer to review the consulting service contract and related evidence, the Group estimated that the consulting service fee to be in the amount of CNY 2,702 thousand, which was included in operating expenses and other payables. As at 30 April 2022 (Note), the case was 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 CNY 7,274 thousand according to the content of the cooperation agreement, and applied for property preservation, requesting to freeze the Group's bank deposits of CNY 7,000 thousand. The People's Court of Qixing District of Guilin City ruled that the Group should pay a service fee of CNY 4,030 thousand.

After the Group appointed a lawyer to review the consultation service contract and the relevant evidence, the Group estimated the consultation service fee of CNY 4,030 thousand to be included in the operating expenses and other payables, but the service provider filed an appeal against the judgment. On 15 February 2022, the Guilin Qixing District People's Court ruled in the second trial that the service fee of CNY 4,316 thousand should be revised and the Group adjusted the difference and included it in operating



expenses on 12 December 2021 and other payables and as at 30 April 2022 (Note), the case was still under trial.

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

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

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

In addition, on 9 January 2023, the Group filed a civil action in the Taiwan Taichung District Court for the payment of contractual obligations, seeking the repayment of NT\$223,731 thousand in total for the withheld settlement of the project by the proprietor

and for the overdue payments during the construction period. As of the announcement date of the consolidated financial statements, the case was still pending in the Taichung District Court, and the outcome of the aforementioned action could not be estimated yet.

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

In addition, as at 31 December 2022, the Group had lost control and significant influence over Xiamen Guoxin as a result of the above-mentioned events, which prevented the Group from influencing Xiamen Guoxin's operating decisions through voting on motions, and therefore ceased to account for the investment using the equity method and transferred it to financial assets measured at fair value through other comprehensive income or loss.

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

The Group did not unlawfully terminate Fu's appointment as a manager in accordance with the Company Act. Fu served as the general manager of the overseas reinvestee company without the Group's consent and did not return to Taiwan at the Group's request; therefore, the Group terminated the employment relationship in accordance with the Labor Standards Act, and as at the date of announcement of the consolidated financial statements, the case was under mediation proceedings in the Mediation Court of the Pingtung District

Court.

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence over the company. Therefore, the Group stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income (loss). Please refer to note VI(28) for more details.

#### 7. 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, Hsiyu Desalination 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 NT\$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 will end 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 will end 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 reduce \$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-in 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, the Group provides 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

None.

#### XII. OTHER

##### 1. Categories of financial instruments

##### Financial Assets

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Financial assets at fair value through other comprehensive income	\$784,908	\$95,025
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	962,653	693,193
Financial assets measured at amortized cost	872,454	1,309,601
Notes receivables	10,349	21,675
Accounts receivables (related parties included)	461,559	785,738
Other receivables (related parties included)	1,040	393,613
Construction refundable deposits	61,657	88,300
Refundable deposits	84,179	77,449
Long-term receivables	3,738,303	3,381,694
Subtotal	<u>6,192,194</u>	<u>6,751,263</u>
Total	<u>\$6,977,102</u>	<u>\$6,846,288</u>

##### Financial Liabilities

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Financial liabilities at amortized cost:		
Short-term loans and notes payable	\$489,980	\$1,505,284
Payments payable (related parties included)	660,877	1,441,589

Bonds payable	249,624	249,951
Long-term borrowings (current portion included)	2,279,965	2,347,803
Lease liability (current and non-current)	15,093	15,671
Refundable deposits received (recognized as other current liabilities - others)	21,592	359,999
Total	<u>\$3,717,131</u>	<u>\$5,920,297</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 at 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 2022 and 2021 decreases/increases by NT\$4 thousand and NT\$3,782 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, 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 for the years ended 2022 and 2021 will increase or decrease by NT\$934 thousand and NT\$1,841 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 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 2022 and 2021, accounts receivables from top ten customers represented 98% and 77% 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 at 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. 2022						
Loans	\$469,741	\$356,856	\$288,741	\$1,008,194	\$906,137	\$3,029,669
Notes and accounts payable	468,554	10,518	22,606	4,845	-	506,523
Other payables	154,354	-	-	-	-	154,354
Bonds payable	-	1,575	1,575	251,575	-	254,725
Lease liabilities (Note)	496	496	992	2,873	14,804	19,661
Refundable deposits received	3,604	4,963	2,827	10,198	-	21,592

	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

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

	Overdue				
	Less than 5 years	5 to 10 years	10 to 15 years	> 15 years	Total
31 Dec. 2022	\$4,857	\$4,703	\$4,703	\$5,398	\$19,661
31 Dec. 2021	4,703	4,703	4,703	6,740	20,849

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

Reconciliation of liabilities for year ended 31 December 2022:

	Short-term Loans	Shoer-term notes payable	Long-term loans (current portion included)	Bonds payable	Lease liabilities	Refundable deposits received	Total
1 Jan. 2022	\$1,495,326	\$9,958	\$2,347,803	\$249,951	\$15,671	\$359,999	\$4,478,708
Cash flows	(620,084)	(10,000)	856,405	(486)	(578)	4,187	229,444
Non-cash changes	1,245	42	(6,308)	159	-	-	(4,862)
Other	(428,648)	-	(941,704)	-	-	(345,630)	(1,715,982)
Exchange difference	42,141	-	23,769	-	-	3,036	68,946
31 Dec. 2022	<u>\$489,980</u>	<u>\$-</u>	<u>\$2,279,965</u>	<u>\$249,624</u>	<u>\$15,093</u>	<u>\$21,592</u>	<u>\$3,056,254</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term Loans	Shoer-term notes payable	Long-term loans (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>

## 7. Fair value 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, accounts 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 2022

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets at fair value through other comprehensive income				
Financial assets at fair value through other comprehensive income	\$-	\$-	\$784,908	\$784,908

As at 31 December 2021

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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 2022 and 2021, 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. 2022	\$95,025
Total gains and losses recognized	
Amount recognized in OCI	(19,845)
Reclassification (Note)	709,728
31 Dec. 2022	\$784,908

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Group. Therefore, the Group stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income (loss).

The Group was assessed to lose control and significant influence on 31 December 2022 due to the lawsuit of its sub-subsidiary — Xiamen Kuo Hsin Century Technology Co., Ltd. (Please refer to Note IX (VI).5 for details). Therefore, the Group has stopped accounting for the investment using the equity method and reclassified it as financial assets measured at fair value through other consolidated income (loss). Please refer to note VI(28) for more details.

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

	Assets
	At fair value through other comprehensive income
	Stock
31 Dec. 2021	\$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 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets: Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	28%~45%	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\$18,059 thousand.

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\$2,549 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 2022			31 December 2021		
	Foreign	Foreign		Foreign	Foreign	
	currencies	exchange	NTD	currencies	exchange	NTD
		rate			rate	
<u>Financial assets</u>						
Monetary items:						
USD	\$13	30.66	\$399	\$1,813	27.63	\$50,093
<u>Financial liabilities</u>						
Monetary items:						
USD	-	30.66	-	15,500	27.63	428,265

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 2022 and 2021, the foreign exchange gains or losses on monetary financial assets and financial liabilities were NT\$(31,243) thousand and NT\$11,629 thousand, 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 shareholders' 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.



### 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 2022: Please refer to Attachment 2.
- (2) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 3.
- (3) Securities held as at December 31, 2022 (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 2022: 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 2022: 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 2022: 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 2022: 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 2022: 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. 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.

3. 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 2022

	<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	\$1,863,936	\$683,715	\$571,838	\$672,234	\$-	\$3,791,723
Inter-segment (Note)	534,772	-	54,560	31,905	(621,237)	-
Total revenue	<u>\$2,398,708</u>	<u>\$683,715</u>	<u>\$626,398</u>	<u>\$704,139</u>	<u>\$(621,237)</u>	<u>\$3,791,723</u>
Segment income	<u>\$790,147</u>	<u>\$176,647</u>	<u>\$(160,170)</u>	<u>\$101,522</u>	<u>\$(77,049)</u>	<u>\$831,097</u>

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

(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	2022	2021
Pipe fittings	\$1,354,874	\$2,588,053
Public works construction income	1,320,404	1,212,691
Water treatment project contracting income		
- Service concession agreement	357,727	370,146
Water treatment operation and maintenance income	307,872	278,798
Service franchise interest income	162,948	166,383
Other income	287,898	4,964
Total	<u>\$3,791,723</u>	<u>\$4,621,035</u>

## 3. Financial Information by Region:

### (1) From outside client revenue:

	2022	2021
Taiwan	\$2,936,618	\$2,713,236
Mainland China	855,105	1,907,799
Total	<u>\$3,791,723</u>	<u>\$4,621,035</u>

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

### (2) Non-current assets:

	31 Dec. 2022	31 Dec. 2021
Taiwan	\$1,930,397	\$1,863,262
Mainland China	-	1,232,655
Total	<u>\$1,930,397</u>	<u>\$3,095,917</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:

	2022	2021
Client A	\$1,007,305	\$884,167
Client B	683,715	666,013
Client C	556,670	558,685
Client D	375,825	510,549
Total	<u>\$2,623,515</u>	<u>\$2,619,414</u>

5. Reportable segment income reconciliation

	2022	2021
Reportable segment total income	\$806,624	\$343,488
Other segment income	101,522	(82,462)
Reconciliation and elimination		
Elimination segment income	(77,049)	230,137
Profit from continuing operations before tax	<u>\$831,097</u>	<u>\$491,163</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	\$726,240	No general trading conditions can be compared to	6.45%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other receivables	30,012	No general trading conditions can be compared to	0.27%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Construction revenues	253,735	No general trading conditions can be compared to	6.69%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Adjustment revenues	25,954	No general trading conditions can be compared to	0.68%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Other revenue (interests)	30,012	No general trading conditions can be compared to	0.79%
0	The Company	Kuo Yang Environment Technology Co., Ltd.	1	Contract liabilities	529,061	No general trading conditions can be compared to	4.70%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Account receivables	150,747	No general trading conditions can be compared to	1.34%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Contract liabilities	67,287	No general trading conditions can be compared to	0.60%
0	The Company	Kuo Chuang Engineering Co., Ltd.	1	Sales revenue	255,084	No general trading conditions can be compared to	6.73%
0	The Company	Jianyi Construction Co., Ltd.	1	Contract liabilities	537,896	No general trading conditions can be compared to	4.78%
0	The Company	Jianyi Construction Co., Ltd.	1	Other current liabilities	97,684	No general trading conditions can be compared to	0.87%
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	3 (Note 6)	Sales revenue	22,804 (CNY 5,157 thousand)	No general trading conditions can be compared to	0.60%

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)
2	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd	3 (Note 6)	Long-term receivables	343,171 (CNY 78,296 thousand)	No general trading conditions can be compared to	3.05%
2	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd	3 (Note 6)	Other income (interest)	10,715 (CNY 2,423 thousand)	No general trading conditions can be compared to	0.28%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Fujian Taiming Trading Co., Ltd.	3 (Note 5)	Sales revenue	27,111 (CNY 6,113 thousand)	No general trading conditions can be compared to	0.72%
3	Fujian Taiming Casting Pipe Technology Co., Ltd.	Linwu Taiming Pipe Industry Technology Co., Ltd.	3 (Note 5)	Sales revenue	27,364 (CNY 6,170 thousand)	No general trading conditions can be compared to	0.72%

(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 CNY to New Taiwan Dollars was based on 4.383 as of the end of December 2022 as announced by the Company.

The average exchange rate of CNY to New Taiwan Dollars was based on 4.422 for January to December 2022 as announced by the Company.

(Note 5) Fujian Taiming Casting Pipe Technology Co., Ltd. and its wholly owned Fujian Taiming Trading Co., Ltd. and Linwu Taiming Pipe Industry Technology Co., Ltd. are included in the Group’s affiliated companies, and their transactions are disclosed until the day when the control over the subsidiaries were lost. Relevant explanations are detailed in Note VI (28).

(Note 6) Xiamen Guoxin Century Technology Co., Ltd. is listed as an affiliate enterprise of the Group (relevant explanations are detailed in Note VI (28)). The transactions were disclosed until the day when control was lost, and the transactions between related parties shall not be eliminated when the consolidated statement was compiled from the day when control was lost.

## 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.	Long-term receivables	Yes	\$255,417 (CNY 57,000 thousand)	\$249,831 (CNY 57,000 thousand)	\$249,831 (CNY 57,000 thousand)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$262,940	\$262,940	(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) Xiamen GuoHsin Century Technology Co., Ltd. is listed as an affiliate enterprise of the Group (relevant explanations are detailed in Note VI (28)). The transactions were disclosed until the day when control was lost, and the transactions between related parties shall not be eliminated when the consolidated statement was compiled from the day when control was lost.

(Note 9) This exchange rate of CNY to New Taiwan dollars was based on 4.383 as of the end of December 2022 as announced by the Company.

Attachment 3: Endorsement/Guarantee provided to others

No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note 14)	Ending balance (Note 15)	Actual amount provided (Note 16)	Amount of collateral guarantee/ endorsemen t	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsemen t amount to subsidiaries	Subsidiaries ' guarantee/ endorsemen t amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship (Note 2)											
0	The Company	Hsiyu Seawater Desalination Co., Ltd.	(2)	\$7,442,346 (Note 5)	\$200,000	\$75,000	\$65,000	None	1.40%	\$12,403,910 (Note 5)	Y	N	N	(Note 17)
0	The Company	Kuo Yang Environment Technology Co., Ltd.	(2)	7,442,346 (Note 5)	3,707,300	2,560,000	2,014,696	None	47.76%	12,403,910 (Note 5)	Y	N	N	(Note 17)
0	The Company	Kuo Chuang Engineering Co., Ltd.	(2)	3,751,711 (Note 3)	192,000	192,000	66,980	None	3.58%	5,091,608 (Note 4)	Y	N	N	(Note 17)
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	(1)	3,751,711 (Note 3)	1,605,629	-	-	None	-	5,091,608 (Note 4)	Y	N	Y	(Note 18)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	(3)	1,110,583 (Note 6)	578,970	-	-	None	-	1,480,778 (Note 7)	N	Y	N	(Note 19)



No. (Note 1)	Endorsor/ Guarantor	Receiving party		Limit of guarantee/ endorsement amount for receiving party	Maximum balance for the period (Note 14)	Ending balance (Note 15)	Actual amount provided (Note 16)	Amount of collateral guarantee/ endorsemen t	Percentage of accumulated guarantee amount to net assets value from the latest financial statement	Limit of total guarantee/ endorsement amount	Parent company's guarantee/ endorsemen t amount to subsidiaries	Subsidiaries ' guarantee/ endorsemen t amount to parent company	Guarantee/ endorsement amount to company in Mainland China	Note
		Company Name	Relationship (Note 2)											
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	(1)	262,418 (Note 8)	172,070	-	-	None	-	333,795 (Note 9)	N	N	Y	(Note 19)
2	Kuo Hsin Technology Co., Ltd.	The Company	(3)	215,000 (Note 10)	110,000	110,000	100,000	69,692	153.78%	430,000 (Note 11)	N	Y	N	(Note 17)
3	Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	(2)	5,237,495 (Note 12)	3,597,300	2,450,000	1,994,770	None	74.78%	8,729,158 (Note 13)	Y	N	N	(Note 17)

(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) There are seven types of relationships between the endorser and the endorsed party, which can be indicated as follows:

(1) A company with which it deals with business.

(2) A company in which the public company directly and indirectly holds more than 50% of the voting shares.

(3) A company that directly and indirectly holds more than 50 % of the voting shares in the public company.

(4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.

(5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.

(6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.

(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant

to the Consumer Protection Act for each other.

(Note 3) Shall not exceed 70% of net asset value of the Company.

(Note 4) Shall not exceed 95% of net asset value of the Company.

(Note 5) 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 6) It shall not exceed 1.5 times the Endorsor/Guarantor’s total assets.

(Note 7) Shall not exceed twice the Endorsor/Guarantor’s total assets.

(Note 8) Shall not exceed the total amount of business transactions with the company making endorsement / guarantee in the last five years.

(Note 9) Shall not exceed 100% of net asset value of the Endorsor/Guarantor.

(Note 10) Shall not exceed 50% of paid capital of the Endorsor/Guarantor.

(Note 11) Shall not exceed 100% of paid capital of the Endorsor/Guarantor.

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

(Note 13) Shall not exceed five times net asset value of the Endorsor/Guarantor.

(Note 14) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note 15) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note 16) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

(Note 17) The above transactions were all made between consolidated entities in the Group and have been reversed.

(Note 18) Fujian Taiming Casting Technology Co., Ltd., is included in the Group’s affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties are not eliminated in the preparation of the consolidated financial statements since the day of losing control.

(Note 19) Xiamen Guo Xin Century Technology Co. Ltd., is included in the Group’s companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties are not eliminated in the preparation of the consolidated financial statements since the day of losing control.

Attachment 4: Securities held as of 31 December 2022. (Excluding subsidiaries, associates and joint ventures)

Holding Company	Type and name of securities (Note 1)	Relationship	Financial statement account	as of 31 December 2022				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	10,000,000	\$75,180	25.00%	\$75,180	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
	Unisted (counter) stock - Fujian Taiming Casting Technology Co. Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	132,248,955	406,018	22.68%	406,018	Not pledged
			Subtotal		481,198		481,198	
Jie Mao International Co., Ltd.	Unisted (counter) stock - Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	9.73%	-	Not pledged
Marvel Line Co., Ltd.	Unisted (counter) stock - Xiamen Kuo Hsin Century Technology Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	91,000,000	303,710	91.00%	303,710	Not pledged
			Total		\$784,908		\$784,908	

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 2022

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	\$279,689	11.66%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$726,240	67.13%	(Note 1)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	279,689	57.97%	-	-	Payment according to project contract assessment progress	Accounts payable 726,240	99.89%	(Note 1)
The company	Kuo Chuang Enginnering Co., Ltd.	Subsidiary	Sales Revenue	255,084	10.63%	-	-	Pay monthly according to the purchase contract	Accounts payable 150,747	13.93%	(Note 1)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chuang	Purchase	255,084	98.38%	-	-	Pay monthly according to the purchase contract	Accounts receivable 150,747	95.36%	(Note 1)
Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Holding company's subsidiary company	Sales revenue	234,002	76.44%	-	-	Pay monthly according to the purchase contract	Accounts receivable 16,417	79.56%	(Note 2)

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

(Note 2) Xiamen Guoxin Century Technology Co., Ltd. is listed as an affiliated enterprise of the Group (relevant explanations are detailed in Note VI (28)), and its transactions were disclosed until the day of losing control. They will not be eliminated when the financial statements were consolidated.

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, 2022

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 \$726,640 Other receivables – interests receivable \$30,012	24.21%	\$-	-	-	-	(Note 1)
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Long-term receivables -financial accommodation \$249,831 Long-term receivables – interests receivable \$93,340	-	-	-	-	-	(Note 2)

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

(Note 2) Xiamen Guoxin Century Technology Co., Ltd., is included in the Group's affiliated companies (Note VI (28)). The transactions were disclosed until the day of losing control, and the transactions between related parties were not eliminated in the preparation of the consolidated financial statements since the day of losing control.

Attachment 7: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Kuo Toong International LLC.	Dealaware, USA	Engaged in reinvestment holding activities	\$23,625	\$23,625	680,000	100.00%	\$652,448	\$23,976	\$43,987	(Note 4)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	117,000	11,700,000	100.00%	45,524	1,737	1,737	(Note 4)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	59,661	5,308	5,308	(Note 4)
	Kuo Hsin Technology Co., Ltd. (Note 3)	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	52,646	(8,307)	(6,114)	(Note 4)
	Jianyi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sand and gravel, silt marine dumping, etc.	274,235	174,235	27,000,000	100.00%	283,478	44,935	44,935	(Note 4)
	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	4,996	24,219	2,365	(Note 4)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
	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	88,165,650	50.50%	1,649,883	141,087	71,836	(Note 4)
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	68,435	5,346	5,346	(Note 4)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	652,355	24,219	24,035	(Note 4)
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	255,989,197	100.00%	3,272,233	141,238	141,238	(Note 4)

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

(Note 2) The investment income recognized for this period included unrealized gain or losses.

(Note 3) On 20 May 2022, the Board of Directors resolved to suspend operations and the National Taxation Bureau of Kaohsiung, Ministry of Finance, approved the application for suspension of operations from 1 August 2022 to 31 July 2023 on 29 July 2022.

(Note 4) The above transactions were all eliminated when preparing the consolidated financial statements.

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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022	Note
					Outflow	Inflow							
Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 8)	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$438,300 (CNY 100,000 thousand)	(1) Marvel Line Co., Ltd.	\$445,153 (USD 14,519 thousand)	\$-	\$-	\$445,153 (USD 14,519 thousand)	\$15,825	91.00%	\$14,401	(Note 10)	-	(Note 2)
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	17,313 (CNY 3,950 thousand)	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	(1)	47.47%	-	(Note 11)	-	(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	4,383 (CNY 1,000 thousand)	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	(677)	30.86%	-	(Note 11)	-	(Note 2)
Fujian Taiming Casting Pipe Technology Co., Ltd (Note 8)	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	2,555,762 (CNY 583,108 thousand)	(1)、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 5)	730,107 (USD 23,813 thousand)	-	-	730,107 (USD 23,813)	(441,323)	28.63% (Note 10)	(210,826)	(Note 12)	-	(Note 2)



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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022	Note
					Outflow	Inflow							
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 Co., Ltd	-	-	-	-	(5,789)	(Note 10)	(5,789)	-	-	(Note 2)
Linwu Taiming Pipe Industry Technology Co., Ltd.	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note 4)	(2) Fujian Taiming Casting Pipe Technology Co., Ltd	-	-	-	-	(5,294)	(Note 10)	(5,294)	-	-	(Note 2)

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
\$1,355,448 (USD44,209 thousand ) (Note 6)	\$1,355,448 (USD44,209 thousand) (Note 6)	\$4,200,154

(Note 1) The methods of investment are divided into three categories:

(1) Indirectly investment in Mainland China through companies registered in a third region. (2) Reinvest with funds of the mainland China company (3) Other

(Note 2) The amount of the investment income (loss) was based on the unaudited financial statements of the investee.

(Note 3) The investment income or loss recognized for this period included unrealized gains or losses.

(Note 4) The Company reinvested CNY6,600 thousand (equivalent to NT\$28,928 thousand) through Fujian Taiming Casting Technology Co., Ltd.

(Note 5) The accumulated investment outflow of the Company from Taiwan amounted to USD 23,813 thousand (converted to NTD730,107 thousand); the accumulated indirect investment in Mainland China (Xiamen Kuo Hsin Century Technology Co., Ltd.) from the Company amounted to CNY40,000 thousand (converted to NTD175,320 thousand).

(Note 6) The amount of reinvestment in the mainland area includes Xinqiang Guotong Pipeline Co., Ltd., Harbin Guotong Pipeline Co., Ltd. and Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.

(Note 7) According to the “Regulations Governing the Approval of Investment or Technical Cooperation in Mainland China” enacted on 22 August 2008 and “Regulations Governing the Examination of Investment or Technical Cooperation in Mainland China,” the cumulative amount of investors’ investment in mainland China depends on the upper limit

of other enterprises: 60% of the net value or a combined net value, whichever is higher.

(Note 8) Eliminated when preparing the consolidated reports.

(Note 9) The exchange rate of USD to New Taiwan dollars was 1: 30.66 based on the Company's announcement made at the end of December 2022. The exchange rate of CNY to New Taiwan dollars was 1: 4.383 based on the Company's announcement made at the end of December 2022.

(Note 10) Xiamen Guoxin Century Technology Co., Ltd. is included in the Group's affiliated companies (Note VI (28)). The transactions were disclosed until the day of losing control, and the transactions between related parties were not eliminated in the preparation of the consolidated financial statements since the day of losing control.

(Note 11) The Group's subsidiary, Marvel Line Co., Ltd., transferred 91% of the equity interest in Xiamen Guoxin Century Technology Co., Ltd., which indirectly held 47.47% of the equity interest in Xiamen Xiangyu Water and Environmental Technology Engineering Company Limited and 30.86% of the equity interest in Xiamen Xiangyu Rural Environmental Technology Company Limited. The Group lost control of Xiamen Guo Xin Century Technology Co., Ltd. on 31 December, 2022 (please refer to Note VI (28)).

(Note 12) Fujian Taiming Casting Technology Co., Ltd. is included in the Group's affiliated companies (Note VI (28)). The transactions were disclosed until the day of losing control, and the transactions between related parties were not eliminated in the preparation of the consolidated financial statements since the day of losing control.

## **5. Parent Company Only Financial Statements audited by CPAs for the Most Recent Year**

### **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 2022 and 2021, and the related parent company only statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2022 and 2021, 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 2022 and 2021, and its financial performance and cash flows for the years ended 31 December 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 2022 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 2022, the Company's public work construction revenue amounted to NT\$1,488,012 thousand, and constituted 62% of total revenue, and is significant to parent company only financial statements. Because public work construction revenue is gradually satisfied over time and recognize revenue by degree of completion while the degree of completion is measured as the cumulative cost incurred as a proportion of the estimated total contract cost. The assumptions used in relation to the estimated total contract costs may involve significant management estimates and judgements, therefore we determined this as a key audit matter.

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

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

## 2. Contingent Liabilities – Fines to Overdue Construction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2022 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.

Ernst & Young, Taiwan

The preparation of the financial statements of a public company is approved by the competent authority.

Approval number: FSC Securities Examination No. 1100352201

FSC Securities Examination No. 1010045851

Hong, Kuo-sen

CPAs:

Lee, Fang-Wen

March 13, 2023

English Translation of Financial Statements Originally Issued in Chinese

KUO TOONG INTERNATIONAL CO., LTD.

PARENT COMPANY ONLY BALANCE SHEETS

31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	Notes	31 Dec. 2022	31 Dec. 2021
Current Assets			
Cash and cash equivalents	IV/VL.1	\$693,802	\$209,390
Financial assets measured at amortized cost-current	IV/VL.3、19/VIII	547,726	429,823
Current contract assets	IV/VL.18、19	923,344	740,685
Notes receivable-net	IV/VL.4、19	10,349	20,653
Accounts receivable-net	IV/VL.5、19	194,451	212,760
Accounts receivable - related parties -net	IV/VL.5/VII	876,987	1,657,929
Other receivables	IV/VL.6、19	1,040	381,669
Other receivables -related parties	IV/VL.6/VII	30,650	32,051
Inventories-net	IV/VL.7	250,759	262,551
Other current assets	IV/VL.8/VII	93,587	40,680
Construction refundable deposit		5,540	69,254
Total current assets		3,628,235	4,057,445
Non-current assets			
Financial assets at fair value through other comprehensive income-noncurrent	IV/VL.2	481,198	95,025
Financial assets measured at amortized cost-non-current	IV/VL.3、19/VIII	134,910	87,491
Investments accounted for under equity method	IV/VL.9	2,748,636	2,798,261
Property, plant and equipment	IV/VL.10/VIII	281,878	316,052
Deferred tax assets	IV/VL.23	40,766	30,820
Guarantee deposits paid	VIII	17,581	18,290
Long-term receivables	VL.5/VIII	115,867	-
Other non-current assets -others	IV/VL.8	31,317	73,815
Total non-current assets		3,852,153	3,419,754
Total Assets		\$7,480,388	\$7,477,199

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY	Notes	31 Dec. 2022	31 Dec. 2021
Current liabilities			
Short-term loans	IV/VI.11/VII	\$280,000	\$894,341
Short-term notes payable	IV/VI.12	-	9,958
Contract liabilities-current	IV/VI.18/VII	161,001	47,881
Notes payable		133,078	102,972
Accounts payable		365,213	397,243
Accounts payable -related parties	VII	255	737
Other payables	VI.13	123,474	156,866
Other payables - related parties	VI.13/VII	8,896	8,894
Current tax liabilities	IV/VI.23	143,772	125,313
Current portion of bonds payable	IV/VI.14	-	249,951
Current portion of long-term liability	IV/VI.15/VII	128,710	55,973
Other current liabilities - others	VII	102,476	120,598
Total current liabilities		1,446,875	2,170,727
Non-current liabilities			
Bonds payable	IV/VI.14	249,624	-
Long-term loans	IV/VI.15	236,045	337,729
Deferred tax liabilities	IV/VI.23	153,847	122,805
Net defined benefit liabilities - non current	IV/VI.16	7,782	27,305
Other non-current liabilities, others		26,628	17,600
Total non-current liabilities		673,926	505,439
Total liabilities		2,120,801	2,676,166
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		399,779	355,058
Special reserve		249,554	241,753

Unappropriated earnings		965,195	502,813
Subtotal		1,614,528	1,099,624
Other equity	IV/VI.22		
Exchange differences resulting from translating the financial statements of a foreign operations		(86,692)	(150,187)
Unrealized (profit) and loss of financial assets measured at fair value through other comprehensive income		(119,212)	(99,367)
Subtotal		(205,904)	(249,554)
Total equity		5,359,587	4,801,033
Total liabilities and equity		\$7,480,388	\$7,477,199

(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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Notes	2022	2021
Operating revenues	IV/VI.18	\$2,398,708	\$2,346,646
Operating costs	IV/VI.7、16、20/VII	(1,636,740)	(1,538,195)
Gross profit		761,968	808,451
Unrealized gross profit on sales		(7,998)	(6,459)
Realized gross profit on sales		9,073	(2,403)
Gross profit-net		763,043	799,589
Operating expenses	IV/VI.16、20/VII		
Sales and marketing expenses		(3,416)	(4,860)
General and administrative expenses		(103,326)	(68,425)
Research and development expenses		(23,304)	(11,940)
Subtotal		(130,046)	(85,225)
Operating income		632,997	714,364
Non-operating income and expenses			
Other revenue	VI.21	56,150	46,044
Other gain and loss	VI.21	116,876	206
Financial costs	VI.21	(31,537)	(33,488)
Share of profit or loss of associates and joint ventures	IV/VI.9	15,661	(154,893)
Subtotal		157,150	(142,131)
Income from continuing operations before income tax		790,147	572,233
Income tax expense	IV/VI.23	(165,001)	(123,866)
Net income		625,146	448,367
Other comprehensive income (loss)	IV/VI.22		
Items that may not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plan		17,246	(1,451)

Unrealized loss on investments in equity instruments at fair value through other comprehensive income		(19,845)	-
Income tax related to items that may not be reclassified subsequently		(3,449)	290
To be reclassified to profit or loss in subsequent periods			
Exchange differences resulting from translating the financial statements of a foreign operations		63,495	(7,801)
Total other comprehensive income, net of tax		57,447	(8,962)
Total comprehensive income		<u>\$682,593</u>	<u>\$439,405</u>
Earnings per share (NTD)			
Earnings per share-basic	IV/VI.24	<u>\$2.52</u>	<u>\$1.81</u>
Earnings per share-diluted	IV/VI.24	<u>\$2.51</u>	<u>\$1.80</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 CHANGES IN EQUITY

For the year ended 31 December 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	Common Stock	Capital surplus	Retained earnings			Other equity		Total Equity
			Legal reserve	Special reserve	Unappropriate d 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	3XXX
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>\$4,801,033</u>
Balance as of 1 January 2022	\$2,480,782	\$1,470,181	\$355,058	\$241,753	\$502,813	\$(150,187)	\$(99,367)	\$4,801,033
Appropriation and distribution of 2021 retained earning								
Legal Reserve	-	-	44,721	-	(44,721)	-	-	-
Special reserve	-	-	-	7,801	(7,801)	-	-	-
Cash dividends	-	-	-	-	(124,039)	-	-	(124,039)

Net income for the year ended 31 December 2022	-	-	-	-	625,146	-	-	625,146
Other comprehensive income, net of tax for the year ended 31 December 2022	-	-	-	-	13,797	63,495	(19,845)	57,447
Total comprehensive income	-	-	-	-	638,943	63,495	(19,845)	682,593
Balance as of 31 December 2022	<u>\$2,480,782</u>	<u>\$1,470,181</u>	<u>\$399,779</u>	<u>\$249,554</u>	<u>\$965,195</u>	<u>\$(86,692)</u>	<u>\$(119,212)</u>	<u>\$5,359,587</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 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

ITEMS	2022	2021	ITEMS	2022	2021
Cash flows from operating activities:			Cash flows from investing activities:		
Net income before tax	\$790,147	\$572,233	Acquisition of financial assets at amortized cost	(165,322)	(63,564)
Adjustments for:			Acquisition of equity investments under equity method	(100,000)	(29,000)
Income and expense adjustments:			Acquisition of property, plant and equipment	(15,552)	(14,772)
Depreciation	47,537	53,289	Disposal of property, plant and equipment	-	728
Amortization	226	309	(Increase) in refundable deposits	-	(12,561)
Expected credit impairment (gain) losses	(60)	(808)	Decrease in refundable deposits	64,423	-
Interest expense	31,537	33,488	Acquisition of intangible assets	-	(139)
Interest revenue	(31,991)	(28,080)	(Increase) of other non-current financial assets	-	(61,101)
Share of losses(profit) of subsidiaries, associates and joint ventures recognized by the equity method	(15,661)	154,893	Decrease of other non-current financial assets	42,272	-
(Gain) on disposal of property, plant and equipment	-	(59)	Dividends received	-	16,400
Losses on disposal of investments accounted for under equity method	(155,352)	-	Net cash flow from investing activities	(174,179)	(164,009)
Impairment loss on non-financial assets	2,189	-			
Unrealized gross profit	7,998	6,459	Cash flows from financing activities:		
Realized gross profit	(9,073)	2,403	Increase in short-term loans	888,900	1,147,000
Unrealized foreign currency exchange gains	30,220	(9,533)	Decrease in short-term loans	(1,534,706)	(1,365,848)
(Gain) on bargain purchase	(20,810)	-	Decrease in short-term notes payable	(10,000)	(18)
Income and expense adjustments	(113,240)	212,361	Proceeds from bonds issued	249,514	-
Changes in operating assets and liabilities:			Redemption of bonds	(250,000)	-
Contract assets	(182,659)	11,429	Increase in long-term loans	150,000	385,100
Notes receivable-net	10,304	(15,081)	Decrease in long-term loans	(181,053)	(199,901)
Accounts receivable-net	(96,858)	(23,554)	Cash dividends	(124,039)	(62,020)
Accounts receivable- related parties -net	780,942	(129,955)	Net cash used in financing activities	(811,384)	(95,687)
Other receivables	379,989	(4,149)			
Other receivables - related parties	1,401	(7,200)	Net increase in cash and cash equivalents	484,412	113,943
Inventories	11,792	(49,037)	Cash and cash equivalents at beginning of period	209,390	95,447
Other current assets	(47,005)	(8,904)	Cash and cash equivalents at end of period	\$693,802	\$209,390
Contract liabilities	113,120	(152,835)			

Notes payable	30,106	32,667		
Accounts payable	(32,030)	(25,317)		
Accounts payable - related parties	(482)	(194)		
Other payables	(34,707)	(2,415)		
Other payables - related parties	2	-		
Other current liabilities	(18,122)	(5,458)		
Accrued pension liabilities	(2,277)	(17,668)		
Other non-current liabilities	9,028	(7,579)		
Cash generated from operations	1,599,451	379,344		
Interest received	29,438	24,544		
Interests paid	(30,021)	(33,371)		
Income tax paid	(128,893)	3,122		
Net cash provided by operating activities	1,469,975	373,639		

(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 2022 and 2021  
 (Expressed in Thousands of New Taiwan Dollars Unless Otherwise Stated)

**I. HISTORY AND ORGANIZATION**

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

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

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

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

The financial statements of the Company for the years ended 31 December 2022 and 2021 were authorized for issue in accordance with a resolution of the Board of directors on 13 March 2023.

**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 2022. The new standards and amendments had no material impact on the Company.

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

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
2	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
3	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

(1) 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.

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

The amendments introduce the definition of accounting estimates and include 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

(3) 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 were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2023. The Group determined that the newly published standards and interpretations 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
1	IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 “Insurance Contracts”	1 January 2023
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2024
4	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	1 January 2024
5	Non-current Liabilities with Covenants – Amendments to IAS 1	1 January 2024

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

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

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

(2) IFRS 17 “Insurance Contracts”

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

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

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

(3) 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.

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

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

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

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

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

#### IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2022 and 2021 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations").

2. Basis of preparation

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

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

### 3. Foreign currency transactions

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

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

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

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

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

### 4. Translation of financial statements in foreign currency

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

- (a) when the partial disposal involves the loss of control of a subsidiary that includes a

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

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

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

## 5. Current and non-current distinction

An asset is classified as current when:

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

All other assets are classified as non-current.

A liability is classified as current when:

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

All other liabilities are classified as non-current.

## 6. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid time deposits (including ones that have maturity within 3 months) or investments that

are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 7. Financial instruments

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

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

### (1) 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:

- C. the Company's business model for managing the financial assets and
- D. 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:

- (c) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (d) 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:

- (c) 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.
- (d) 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:

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

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

- (d) 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.
- (e) 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.
- (f) 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:
  - (iii) 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.
  - (iv) 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:

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

The loss allowance is measured as follows:

- E. 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.
- F. 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.
- G. 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.
- H. For lease receivables arising from transactions within the scope of IFRS 16, the Company measures the loss allowance at an amount equal to lifetime expected credit losses.

At each reporting date, the Company needs to assess whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default

occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note XII for further details on credit risk.

### (3) Derecognition of financial assets

A financial asset is derecognized when:

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

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

### (4) Financial liabilities and equity

#### Classification between liabilities or equity

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

#### Equity instruments

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

#### Financial liabilities

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

#### Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after

initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

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

#### Derecognition of financial liabilities

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

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

#### (5) Offsetting of financial instruments

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

### 8. Fair value measurement

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

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

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

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

A fair value measurement of a non-financial asset takes into account a market participant's

ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

## 9. Inventories

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

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

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

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

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

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

## 10. Investments accounted for using the equity method

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

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

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

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

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

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

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

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

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

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

## 11. Property, plant and equipment

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

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

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

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

The 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 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 Companies 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 Companies 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 (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company 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 follows:

##### Sale of goods

The Company manufactures and sells goods. Sales are recognized when control of the goods is transferred to the customer and the goods are delivered to the customers. The main products of the Company are prestressed concrete pipes and ductile iron pipes, etc. Revenue from these



sales is based on the price specified in the contract.

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

#### Construction contract

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

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

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

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

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

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

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

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

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

## 18. Share-based payment transactions

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

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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.

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

### Estimates and assumptions

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

#### (1) Revenue recognition

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

#### (2) Fair value of financial instruments

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

#### (3) Accounts receivable—estimation of impairment loss

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

#### (4) Inventory

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

#### (5) Impairment of Non-financial assets

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

#### (6) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective 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. 2022	31 Dec. 2021
Cash on hand	\$2,468	\$2,196
Check Deposit	233	166
Saving Account	691,101	207,028
Total	<u>\$693,802</u>	<u>\$209,390</u>

2. Financial assets at fair value through other comprehensive income

	31 Dec. 2022	31 Dec. 2021
Equity instrument investments measured at fair value through other comprehensive income – Non-current:		
Unlisted companies' stock(Note)	<u>\$481,198</u>	<u>\$95,025</u>

(Note) On 5 May 2022, as the Company did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Company assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Company. Therefore, the Company stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

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

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

2021.

3. Financial assets measured at amortized cost

	31 Dec. 2022	31 Dec. 2021
Time Deposits	\$321,654	\$147,036
Saving Account-pledge account	360,982	370,278
Total	<u>\$682,636</u>	<u>\$517,314</u>
Current	\$547,726	\$429,823
Non-current	134,910	87,491
Total	<u>\$682,636</u>	<u>\$517,314</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. 2022	31 Dec. 2021
Notes receivables	\$10,349	\$20,653
Less: allowance for doubtful accounts	-	-
Total	<u>\$10,349</u>	<u>\$20,653</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. 2022	31 Dec. 2021
Accounts Receivable	\$194,497	\$220,153
Long-term receivable (Note)	115,867	-
Less: allowance for doubtful accounts	(46)	(7,393)
Subtotal	<u>310,318</u>	<u>212,760</u>
Accounts receivable from related parties	876,987	1,657,929
Less: allowance for doubtful accounts	-	-
Subtotal	<u>876,987</u>	<u>1,657,929</u>
Total	<u>\$1,187,305</u>	<u>\$1,870,689</u>
Current (recognized as accounts receivable (related parties included) - net)	\$1,071,438	\$1,870,689
Non-current (recognized as long-term accounts receivable)	115,867	-
Total	<u>\$1,187,305</u>	<u>\$1,870,689</u>

No accounts receivable and long-term receivable were pledged.

Accounts receivables are generally regulated by contracts. Account receivable amounted to



NT\$1,187,351 thousand and NT\$1,878,082 thousand as at 31 December 2022 and 2021. Please refer to Note VI(19) for more details on impairment of accounts receivables for the years ended 31 December 2022 and 2021 and please refer to Note XII for credit risk disclosure.

(Note) The Company is in litigation with the owner regarding the case of “New Construction Project of Magong Additional 4,000-ton Seawater Desalination Plant” (Magong Second Desalination Plant Phase I). The dispute of overdue construction days is still pending in the Taichung District Court of Taiwan, so the relevant payment is transferred to long-term receivables. Please refer to Note IX (VI).2.

#### 6. Other Receivables

	31 Dec. 2022	31 Dec. 2021
Other receivables	\$39,236	\$419,365
Less: allowance for doubtful accounts	(38,196)	(37,696)
Subtotal	1,040	381,669
Other receivables from related parties	30,650	32,051
Less: allowance for doubtful accounts	-	-
Subtotal	30,650	32,051
Total	\$31,690	\$413,720

Information on changes of loss allowance for other receivables for the years ended 31 December 2022 and 2021 are as follows:

	Other Receivable
1 Jan. 2022	\$37,696
Addition for the current period	640
Write-off due to uncollectible	(140)
31 Dec. 2022	\$38,196
1 Jan. 2021	\$38,504
Reversal for the current period	(808)
Write-off due to uncollectible	-
31 Dec. 2021	\$37,696

#### 7. Inventories

	31 Dec. 2022	31 Dec. 2021
Raw materials	\$37,524	\$66,863
Work in progress	136,782	138,594
Finished goods	76,453	57,094
Total	\$250,759	\$262,551

The cost of inventories recognized in expenses amounted to NT\$634,994 thousand and NT\$588,320 thousand for the years ended 31 December 2022 and 2021, including the clearance of inventories in all aging intervals in 2022, resulting in a decrease in the amount of sluggish inventories set aside by the Company, thereby generating inventory reversal benefits of NT\$1,017 thousand and recognized inventory depreciation losses of NT\$10,756 thousand in 2021.

No inventories were pledged.

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

	31 Dec. 2022	31 Dec. 2021
Prepayments	\$32,701	\$24,647
Inventory of supplies	57,056	3,170
Prepayments for equipment	31,247	73,519
Others	3,900	13,159
Total	<u>\$124,904</u>	<u>\$114,495</u>
Current	\$93,587	\$40,680
Non-current	31,317	73,815
Total	<u>\$124,904</u>	<u>\$114,495</u>

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

(4) 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. 2022		31 Dec. 2021	
	Carrying amount	Percentage of ownership	Carrying amount	Percentage of ownership
Investments in Associates				
Kuo Toong International LLC.	\$652,448	100.00%	\$599,482	100.00%
Hsiyu Seawater Desalination Co., Ltd.	45,524	100.00%	43,787	100.00%
Jie Mao International Co., Ltd.	59,661	100.00%	53,278	100.00%
Jianyi Construction Co., Ltd.	283,478	100.00%	138,543	100.00%

Kuo Hsin Technology Co., Ltd.	52,646	73.60%	58,760	73.60%
Dinteng Co, Ltd.	1,649,883	50.50%	1,578,047	50.50%
Fujian Tai Ming Casting Pipes Technology Co, Ltd.	-	-	323,802	43.57%
Marvel Line Co., Ltd.	4,996	0.76%	2,562	0.76%
Total	<u>\$2,748,636</u>		<u>\$2,798,261</u>	

(Note): The Company did not participate in the capital increase case of Fujian Taiming Cast Pipe on 5 May 2022; therefore, it lost its control over Fujian Taiming Cast Pipe and the investment in Fujian Taiming Cast Pipe was reclassified as investment accounted for using equity method after fair value evaluation. In addition, the Company assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence Fujian Taiming Cast Pipe's operational decisions through voting on the proposal on 30 November 2022, resulting in the loss of significant influence of the Company. Therefore, the company stopped measuring the investment using the equity method and reclassified it as financial assets measured at fair value through other comprehensive profit and loss.

- (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) Jianyi Construction Co., Ltd. issued 10,000 thousand new shares with a cash capital increase on 23 August 2022. The company acquired 100,000 thousand shares at a price of 10,000 thousand. The shareholding ratio of Jianyi Construction Co., Ltd. remains unchanged.
- (3) The Board of directors of Kuo Hsin Technology Co., Ltd. resolved to apply for suspension of business on 20 May 2022. The National Taxation Bureau of Kaohsiung approved the application for suspension of business from 1 August 2022 to 31 July 2023 on 29 July 2022.
- (4) The above-mentioned subsidiaries will pay NT\$0 thousand and NT\$16,400 thousand in cash dividends to the company as of 31 December 2022 and 2021, respectively.
- (5) For information on the company's subsidiaries, please also refer to the company's 2022 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. 2022		31 Dec. 2021			
Owner occupied property, plant and equipment	\$281,878		\$316,052			
Owner occupied property, plant and equipment						
	Land	Buildings	Machinery and equipment	Other Equipment	Construction in progress	Total
Cost:						
1 Jan. 2022	\$106,322	\$182,191	\$816,044	\$105,220	\$4,687	\$1,214,464
Additions	1,320	2,504	9,380	2,348	-	15,552
Disposal	-	-	-	(966)	-	(966)
Other	-	-	571	(571)	-	-
31 Dec. 2022	\$107,642	\$184,695	\$825,995	\$106,031	\$4,687	\$1,229,050
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	\$106,322	\$182,191	\$816,044	\$105,220	\$4,687	\$1,214,464
Depreciation and impairment						
1 Jan. 2022	\$-	\$124,310	\$691,484	\$82,618	\$-	\$898,412
Depreciation	-	7,349	35,696	4,492	-	47,537
Impairment(Note)	-	-	-	-	2,189	2,189
Disposal	-	-	-	(966)	-	(966)
Other	-	-	-	-	-	-
31 Dec. 2022	\$-	\$131,659	\$727,180	\$86,144	\$2,189	\$947,172
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	\$-	\$124,310	\$691,484	\$82,618	\$-	\$898,412
Net book value:						
31 Dec. 2022	\$107,642	\$53,036	\$98,815	\$19,887	\$2,498	\$281,878
31 Dec. 2021	\$106,322	\$57,881	\$124,560	\$22,602	\$4,687	\$316,052

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

(Note) The Company reduced part of the PPE to recoverable amounts for the year ended 31 December 2022, resulting in an impairment loss of NT\$2,189 thousand, which was recognized in the non-operating income and expenses of the consolidated income statement. Please refer to Note VI(21) for details.

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

#### 11. Short-term Loans

	Interest rate range	31 Dec. 2022	31 Dec. 2021
Bank Secured loans	2.231%	\$280,000	\$894,341

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. 2022	31 Dec. 2021
Commercial papers payable	\$-	\$10,000
Less: Discount of commercial paper payable	-	(42)
Total	\$-	\$9,958

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

#### 13. Other Payable

	31 Dec. 2022	31 Dec. 2021
Salaries Payable	\$35,211	\$28,082
Other expenses payable	85,770	63,808
Equipment payments payable	1,618	3,429
Other payable – related parties	8,896	8,894
Other payable – others	875	61,547
Total	\$132,370	\$165,760

#### 14. Bonds payable

	31 Dec. 2022	31 Dec. 2021
Secured and non-convertible bonds	\$250,000	\$250,000

Less: Discount of bonds payable	(376)	(49)
Net	249,624	\$249,951
Less: Current portion	-	(249,951)
Total	\$249,624	\$-

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

(5) As at 11 January 2022, the Company issued secured bond amounted to NT\$250,000 thousand with par rate of 0.63%. The issuance period is from 11 January 2022 to 11 January 2025.

(6) Please refer to Note VI (21) for the interest expenses of bonds payable.

## 15. Long-term Loans

Details are as follows:

Creditors	31 Dec. 2022	Interest rate (Note)	Redemption
Shanghai Commercial Bank Secured Loan	\$6,000		From 20 December 2019 to 20 September 2023, repayment began on 20 January 2020, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	26,000		From 22 March 2021 to 22 March 2026, repayment began on 22 April 2021, amortized and interest paid monthly.
Shanghai Commercial Bank Secured Loan	110,000		From 1 August 2022 to 1 August 2026, repayment began on 1 September 2022, amortized and interest paid monthly.
Taiwan Cooperative Bank Secured Loan	54,710		From 28 October 2020 to 28 October 2023, interest will be paid monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
Taichung Bank Leasing Co., Ltd. Credit Loan	143,680		From 15 October 2021 to 15 March 2026, interest will be paid monthly basis and will be deducted at 40% of the actual remitted payment, in remaining balance will be repaid upon maturity in a lump sum.
O-Bank Secured Loan	30,000		From 26 September 2022 to 26 September 2023, interest will be paid monthly basis and will be deducted at 40% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum. The use period of the quota is from 15 June 2022 to 14 June 2025, with revolving credit.

Creditors	31 Dec. 2022	Interest rate (Note)	Redemption
Subtotal	370,390		
Less: current portion	(128,710)		
Less: unamortized expense	(5,635)		
Total	<u>\$236,045</u>		

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

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 28 October 2020 to 28 October 2023, interest will be paid monthly basis and will be deducted at 30% of the actual remitted payment. The remaining balance will be repaid upon maturity in a lump sum.
FCB Leasing Co., Ltd. Credit Loan	16,656		From 3 August 2020 to 3 August 2022, repayment began on 3 September 2020, 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	150,000		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.
Subtotal	401,443		
Less: current portion	(55,973)		
Less: unamortized expense	(7,741)		
Total	<u>\$337,729</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 2022 and 2021 were NT\$5,915 thousand and NT\$11,181 thousand, respectively.

### Defined benefits plan

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

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under a mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes control and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with IAS 19. The Company expects to contribute NT\$1,155 thousand to its defined benefit plan during the 12 months beginning after 31 December 2022.



As at 31 December 2022 and 2021, the Company's defined benefit plans are expected to mature in 2030 and 2029, respectively.

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

	2022	2021
Current service cost	\$785	\$1,724
Net interest on the net defined benefit liability (asset)	126	126
Total	\$911	\$1,850

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

	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Defined benefit obligation	\$47,661	\$64,324	\$78,732
Plan assets at fair value	(39,879)	(37,019)	(35,210)
Net defined benefit liabilities	\$7,782	\$27,305	\$43,522

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. 2021	\$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
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 cost of defined benefit plan recognized to profit and loss:			
Current service cost	785	-	785
Interest expense (income)	302	(176)	126
Subtotal	65,411	(37,195)	28,216
Remeasurements of the defined benefit liabilities/assets:			

Actuarial gains and losses arising from changes in financial assumptions	(3,465)	-	(3,465)
Experience adjustments	(10,757)	-	(10,757)
Remeasurements of the defined benefit Assets	-	(3,024)	(3,024)
Subtotal	(14,222)	(3,024)	(17,246)
Payment of benefit obligation	(3,528)	3,528	-
Contribution by employer	-	(3,188)	(3,188)
31 Dec. 2022	\$47,661	\$(39,879)	\$7,782

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

	31 Dec. 2022	31 Dec. 2021
Discount rate	1.32%	0.47%
Expected rate of salary increase	1.00%	1.00%

	2022		2021	
	Defined benefit obligations increase	Defined benefit obligations decrease	Defined benefit obligations increase	Defined benefit obligations decrease
Discount rate increase by 0.25%	\$-	\$(947)	\$-	\$(1,421)
Discount rate decrease by 0.25%	978	-	1,472	-
Rate of future salary increase by 0.25%	963	-	1,439	-
Rate of future salary decrease by 0.25%	-	(938)	-	(1,397)

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

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

## 17. Equity

### (1) Common stock

As at 31 December 2022 and 2021, the Company's authorized common share capital totaled NT\$3,000,000 thousand, each at a par value of NT\$10 for 300,000 thousand shares. Both the issued share capital amounted to NT\$2,480,782 thousand, at a par value of NT\$10 per share, accounting for 248,078 thousand shares. Each share has one voting right and the right to receive dividends.

### (2) Capital surplus

31 Dec. 2022	31 Dec. 2021
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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	12,746	12,746
Invalidation of employee stock options	11,367	11,367
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) 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 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 2022 and 2021. In addition, the Company did not use, dispose of or reclassify any related assets from 1 January to 31 December 2022 and 2021, therefore they did not reverse the retained earnings to undistributed retained earnings.

As at 31 December 2022 and 2021, 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 2021 and 2020 were approved respectively through the shareholders' meeting on 9 June 2022 and 22 July 2021 as follows:

	Appropriation of earnings		Cash dividend per share	
	2021	2020	2021	2020
Legal reserve	\$44,721	\$9,959		
Special reserve	7,801	(25,909)		
Cash dividends	124,039	62,020	NT\$0.5 per share	NT\$0.25 per share

The Company's distribution of earnings and cash dividends per share in 2022 was not proposed at the board meeting held on 13 March 2023.

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

	2022	2021
Revenue from clients		
Sales - merchandise	\$780,293	\$751,839
Sales - construction	1,488,012	1,451,944

Sales - rendering of services	130,403	142,863
Total	<u>\$2,398,708</u>	<u>\$2,346,646</u>

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

(1) Disaggregation of revenue

For the year ended 31 December 2022

	Single Operating Department
Pipe Fittings	\$780,293
Public Work Construction Revenue	1,488,012
Service Revenue	130,355
Other Revenue	48
Total	<u>\$2,398,708</u>
Timing of Revenue Recognition:	
Goods transferred at a point in time	\$780,293
Construction transferred over time	1,488,012
Labor transferred over time	130,403
Total	<u>\$2,398,708</u>

For the year ended 31 December 2021

	Single Operating Department
Pipe Fittings	\$751,839
Public Work Construction Revenue	1,451,944
Service Revenue	141,780
Other Revenue	1,083
Total	<u>\$2,346,646</u>
Timing of Revenue Recognition:	
Goods transferred at a point in time	\$751,839
Construction transferred over time	1,451,944
Labor transferred over time	142,863
Total	<u>\$2,346,646</u>

(2) Contract balances

A. Contract assets – current

31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
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Public Work Construction	\$923,344	\$740,685	\$698,377
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The engineering retention generated by the Company's operations is interest-free and will be recovered at the end of the individual construction contract retention period, which is the normal operating cycle of the Company, which usually exceeds one year. The retention receivables as at 31 December 2022, 31 December 2021, and 1 January 2021 amounted to NT\$97,386 thousand, NT\$77,572 thousand and NT\$44,140 thousand, respectively, which were classified as contract assets.

#### B. Contract liabilities - current

	31 Dec. 2022	31 Dec. 2021	1 Jan. 2021
Public Work Construction	\$46,096	\$17,010	\$165,317
Advanced Receipts	114,905	30,871	35,399
Total	\$161,001	\$47,881	\$200,716

- (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 2022 and 2021.

#### 19. Expected credit losses/(gains)

	2022	2021
Operating Expense- Expected credit (gains)		
Contract assets	\$-	\$-
Notes receivable	-	-
Accounts receivable and long-term receivable	(60)	(808)
Total	\$(60)	\$(808)

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

The credit risk for financial assets measured at amortized cost as at 31 December 2022 and 2021 was assessed as low (the same as the assessment result in the beginning of the period). Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses. As the Company transacts with financial institutions with good credit, no allowance for losses has been provided in current period.

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

- (3) The total book value of the contract assets was NT\$923,344 thousand and NT\$740,685 thousand, and the amount of loss allowance measured by the expected credit loss rate of 0% was NT\$0 thousand.
- (4) 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 2022

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

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

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.

The movement in the provision for impairment of contract assets, note receivables, trade receivables and other receivables for the years ended 31 December 2022 and 2021 is as follows:

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

uncollectible			
31 Dec. 2022	\$-	\$-	\$46
1 Jan. 2021	\$-	\$-	\$7,393
Reversal for the current period	-	-	-
31 Dec. 2021	\$-	\$-	\$7,393

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

	2022			2021		
	Operating costs	Operating expenses	Total Amount	Operating costs	Operating expenses	Total Amount
Employee benefits expense						
Salaries	\$144,948	\$60,865	\$205,813	\$132,244	\$46,270	\$178,514
Labor and health insurance	12,902	3,744	16,646	12,094	2,670	14,764
Pension	4,056	2,770	6,826	10,728	2,303	13,031
Remuneration of directors	-	18,715	18,715	-	7,885	7,885
Other personnel expenses	9,182	3,092	12,274	6,711	1,833	8,544
Depreciation	43,863	3,674	47,537	49,604	3,685	53,289
Amortization	14	212	226	28	281	309

- (1) The number of employees of the company as of 31 December 2022 and 2021 were 263 and 224, respectively; among whom the number of directors who did not serve as employees concurrently were 8 and 7, 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\$1,011 thousand. The average employee benefit cost of the previous year was NT\$990 thousand.
  - B. The average employee salary cost of this year was NT\$ 871 thousand. The average employee salary cost of the previous year was NT\$ 823 thousand.
  - C. The average employee salary cost adjustment changes decreased by 5.83%.
  - 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 2022 to be in the amount of NT\$20,678 thousand and NT\$16,294 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 2021 to be in the amount of NT\$11,799 thousand and NT\$5,899 thousand, respectively, which was

recognized as employee benefits expense.

A resolution was approved at a Board meeting held on 13 March 2023 to distribute NT\$20,678 thousand and NT\$16,294 thousand in cash as employee's compensation and remuneration to directors and supervisors, respectively. There is no significant difference between the distributed employee bonuses and remuneration to directors and supervisors and the amount recognized as employee benefits expense in the financial statements for the year ended 2022.

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 2021.

## 21. Non-operating income and expenses

### (4) Other income

	2022	2021
Interest income	\$31,991	\$28,080
(Gain) on bargain purchase	20,810	-
Other income-other	3,349	17,964
Total	<u>\$56,150</u>	<u>\$46,044</u>

### (5) Other gains and losses

	2022	2021
Gain on disposal of property, plant and equipment	\$-	\$59
Disposal of investment (gains) accounted for using the equity method	155,352	-
Non-financial asset impairment loss	(2,189)	-
Foreign exchange (gains) losses, net	(30,786)	9,260
Others	(5,501)	(9,113)
Total	<u>\$116,876</u>	<u>\$206</u>

### (6) Finance costs

	2022	2021
Interest expenses	<u>\$(31,537)</u>	<u>\$(33,488)</u>

## 22. Components of other comprehensive income

For the year ended 31 December 2022

	Arising during the period	Tax Benefit (Expense)	Net of Tax
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit pension plans	\$17,246	\$(3,449)	\$13,797

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

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>

## 23. Income tax

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

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

	2022	2021
Current income tax expense:		
Current income tax charge	\$143,882	\$125,313
Adjustments in respect of current income tax of prior periods	3,472	(3,122)
Deferred tax expense (income):		
Deferred tax expense relating to origination and reversal of temporary differences	17,647	1,675
Total income tax expense	<u>\$165,001</u>	<u>\$123,866</u>

Income tax recognized in other comprehensive income

	2022	2021
Deferred income tax expense (benefits):		
Determine the benefit plan and then measure the number	\$3,449	\$(290)
Income tax related to other comprehensive profit and loss components	\$3,449	\$(290)

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

	2022	2021
Accounting profit before tax from continuing operations	\$790,147	\$572,233
Tax amount calculated at the domestic tax rate applicable to income in relevant countries	\$158,029	\$114,446
Tax effect of revenues exempt from taxation	(23,540)	(8,573)
Tax effect of expenses not deductible for tax purposes	255	95
Tax effect of deferred tax assets/liabilities	14,582	18,344
Adjustments in respect of current income tax of prior periods	3,472	(3,122)
Undistributed retained earnings - levy	13,532	2,676
Other income tax effects adjusted in accordance with the Tax Act	(1,329)	-
Total income tax expense recognized in profit and loss	\$165,001	\$123,866

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

For the year ended 31 December 2022:

	Opening Balance	Recognized in profit and loss	Recognized in others Comprehensive profit and loss	Ending balance
Temporary difference				
Net defined benefit liabilities-non-current	\$5,461	\$(455)	\$(3,449)	\$1,557
Inter-affiliated company transactions	1,997	(215)	-	1,782
Unrealized exchange losses (gains), net	(1,842)	7,759	-	5,917
Unrealized impairment losses	11,895	12	-	11,907
Land appreciation tax preparation	(13,383)	-	-	(13,383)
Investment under the equity method	(107,580)	(29,336)	-	(136,916)
Other	11,467	4,588	-	16,055

Deferred income tax benefits (expense)		<u>\$(17,647)</u>	<u>\$(3,449)</u>	
Deferred income tax assets/(liabilities) net	<u>\$(91,985)</u>			<u>\$(113,081)</u>
The information expressed on the balance sheet is as follows:				
Deferred tax assets	<u>\$30,820</u>			<u>\$40,766</u>
Deferred income tax liabilities	<u>\$(122,805)</u>			<u>\$(153,847)</u>

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>

#### Unrecognized deferred income tax assets

As of 31 December 2022 and 2021, the total amount of unrecognized deferred income tax assets of the Company was NT\$93,291 thousand and NT\$72,883 thousand.

#### The assessment of income tax returns

As of 31 December 2022, the Company's income tax filings is as follows:

	<u>The assessment of income tax returns</u>
The Company	2020

## 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.

	2022	2021
(1) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$625,146	\$448,367
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Basic earnings per share (NT\$)	\$2.52	\$1.81
	2022	2021
(2) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$625,146	\$448,367
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	248,078	248,078
Effect of dilution:		
Employee bonus - stock (in thousands)	1,060	554
Weighted average number of ordinary shares outstanding after dilution (in thousands)	249,138	248,632
Diluted earnings per share (NT\$)	\$2.51	\$1.80

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

## VII. RELATED PARTIES TRANSACTIONS

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

Name and nature of relationship of the related parties

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

Note 1: On 5 May 2022, as the Company did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Company assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Company. Therefore, the Company stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income (loss). Since the loss of control, Fujian Taiming Casting Pipe and its 100% owned Fujian Taiming Trading Co., Ltd. and Linwu Taiming Pipe Industry Technology Co., Ltd. have been listed as affiliated companies of the Company.

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

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

is still under trial and the outcome of the aforementioned litigation cannot be estimated yet.

In addition, as at 31 December 2022, the Company had lost control and significant influence over Xiamen Guoxin as a result of the above-mentioned events, which prevented the Company from influencing Xiamen Guoxin's operating decisions by participating in voting on motions, and therefore ceased to adopt the equity method of investment and transferred it to financial assets at fair value through other comprehensive income or loss.

#### Significant related party transactions

##### 9. Sales

	2022	2021
Associates		
Kuo Chuang Engineering Co., Ltd.	\$255,084	\$195,129

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.

##### 10. Construction revenue

	2022	2021
Associates		
Kuo Yang Environment Technology Co., Ltd.	\$279,689	\$300,951
Others	-	6,523
Total	\$279,689	\$307,474

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	
	2022	2021	2022	2021
Associates				
Kuo Yang Environment Technology Co., Ltd	\$-	\$18,043	\$529,061	\$486,836
Jianyi Construction	-	-	537,896	537,896



Co., Ltd.				
Total	<u>\$-</u>	<u>\$18,043</u>	<u>\$1,066,957</u>	<u>\$1,024,732</u>

### 3. Purchase

	<u>2022</u>	<u>2021</u>
Associates		
Others	<u>\$5,168</u>	<u>\$3,869</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

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Associates		
Kuo Yang Environment Technology Co., Ltd	\$726,240	\$1,584,660
Kuo Chuang Engineering Co., Ltd.	150,747	73,269
Total	<u>\$876,987</u>	<u>\$1,657,929</u>

### 5. Amounts owed to related parties

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Associates		
Others	<u>\$255</u>	<u>\$737</u>

### 6. Others

#### (1) Other receivables-related parties

	<u>31 Dec. 2022</u>	<u>31 Dec. 2021</u>
Associates		
Kuo Yang Environment Technology Co., Ltd.(Note)	\$30,012	\$27,459
Others	638	4,592
Total	<u>\$30,650</u>	<u>\$32,051</u>

(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 2022 and 2021. The interest income for the eight years

was 30,012 thousand and 27,459 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 are listed below:

	Categories of Related		
Account Listed Items	Parties	31 Dec. 2022	31 Dec. 2021
Other payable – related parties	Associate	\$8,896	\$8,894
Other current liabilities	Associate	97,684	113,313

- (3) For the years ended 31 December 2022 and 2021, the Company provided demand deposits of NT\$0 thousand and NT\$35,525 thousand for bank loans of subsidiaries to pledge to banks, respectively.
- (4) As of 31 December 2022 and 2021, the subsidiary Xiamen Guoxin Century Technology Co., Ltd. provided fixed deposits of NT\$0 thousand and NT\$371,002 thousand to the bank for the company's bank loans.
- (5) As of 31 December 2022 and 2021, the subsidiary Kuo Hsin Technology Co., Ltd. provided real estate, plant and equipment for the company's bank loans at NT\$69,692 thousand and NT\$75,019 thousand, respectively.
- (6) As of 2022 and 2021, the Company borrowed money from financial institutions. In accordance with the requirements of part of the loan contract, the Company's key management staffs provided joint guarantees.

#### 7. Key management personnel compensation

	2022	2021
Short-term employee benefits	\$42,394	\$23,415
Post-employment benefits	875	835
Total	<u>\$43,269</u>	<u>\$24,250</u>

## VIII. ASSETS PLEDGED AS COLLATERAL

The Company has the following Assets pledged as Collateral:

Items	Book Value		Purpose of pledge
	31 Dec. 2022	31 Dec. 2021	
Financial assets measured at amortized costs - current	\$373,726	\$429,823	Short-term loans, short-term notes payable, Construction Performance, CPC credit sale collateral and guaranteed warranty
Financial assets measured at amortized costs – non-current	134,910	87,491	Penghu desalinated water contract performance guarantee, bonds payable, Construction Performance Guarantee, long-term borrowings and Litigation Liability Guarantee
Property, plant and equipment	108,803	117,953	Long-term borrowings, Short-term loans
Investments accounted for under the equity method	473,450	677,660	Bond, Long-term loans
Total	<u>\$1,090,889</u>	<u>\$1,312,927</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. 2022	31 Dec. 2021
Performance guarantee for purchase contract	\$4,070	\$2,950
Performance guarantee for sales contract	86,061	86,061
Performance guarantee for financing contracts	100,000	100,000
Total	<u>\$190,131</u>	<u>\$189,011</u>

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

	31 Dec. 2022	31 Dec. 2021
Guarantee of performance of the contracted work	\$822,927	\$590,762
Guarantee of performance in the contract of sale	5,000	10,000
Total	<u>\$827,927</u>	<u>\$600,762</u>

3. On 31 December 2022 and 2021, the Group issued the first time domestic guaranteed corporate bonds in 2019 with bank guarantees and guarantees amounting to NT\$0 thousand and NT\$251,950 thousand, respectively.

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

4. As at 31 December 2022, some of the Group's long-term and short-term loans were guaranteed by promissory notes issued under financing lines or drawdown lines, which were not included in the financial statements because of the nature of contingent liabilities.

## 5. Joint Venture Contracts:

Participants of the Joint Venture Contracts	Case	31 Dec. 2022		31 Dec. 2021	
		Contract Total Price	Contract Proportion	Contract Total Price	Contract Proportion
Sheng Ho Construction Co., Ltd.	A	-	-	\$158,095	20.00%
Sheng Ho Construction Co., Ltd.	B	-	-	158,055	20.00%
Sheng Ho Construction Co., Ltd.	C	-	-	279,048	65.00%
China Engineering Co., Ltd. and Liming Engineering Consulting Co., Ltd.	D	3,883,305	51.85%	3,883,305	51.85%
Mountain Forestry and Water Environmental Engineering Co., Ltd And Chin Cheng Construction Co., Ltd.	E	3,110,476	65.00%	3,110,476	65.00%
Sheng Ho Construction Co., Ltd.	F	379,638	30.00%	379,638	30.00%
Kao Kun Construction Co., Ltd.	G	1,722,857	25.00%	-	
Sheng Ho Construction Co., Ltd.	H	1,266,667	20.00%	-	
Yu Lin Engineering Co., Ltd.	I	420,952	20.00%	-	
Jian Yi Construction Co., Ltd.	J	499,022	30.00%	-	
Total		<u>\$11,282,917</u>		<u>\$7,968,617</u>	

## 6. Contingent Liabilities:

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

The Company and the proprietor failed to reach a consensus after several mediations conducted by the Public Construction Committee of the Executive Yuan. The Company 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 Company’s overdue period of the project was 350 days. The Taichung High Administrative Court dismissed the Company’s suspension appeal. Although the suspension had been executed, the Company still appealed to the Supreme Administrative Court on 23 July 2019 for delays that could not be attributed to it. The Supreme Administrative Court rejected the appeal on 31 August 2020, and the Company

filed for retrial on 30 September 2020.

In addition, after the lawyers appointed by the Company reviewed the related construction period analysis data and the expert opinions, they believed that if the project was overdue due to additional water testing projects and insufficient water sources, the construction period should be extended for at least 640 days, 597 days, 51 days or other days, and the Company can also request a reduction in overdue fine; however, the disputes are still pending final judgment. As the case was still pending trial, the Company assessed that the matters mentioned above should be extended for at least 536.9 days and estimated that the initial possible overdue days was 60.1 days. Therefore, the Company estimated that the overdue project fine would be NT\$119,555 thousand. As at 30 December 2020, the proprietor intended to transfer the Company's accounts receivable in the amount 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 18 October 2021, the Taichung District Court of Taiwan ruled in the first instance that the proprietor shall pay the Company in the amount of NT\$373,207 thousand plus interest, and the proprietor appealed against the judgment. On 7 March 2022, the Company reached a settlement agreement with the proprietor after the second instance judge that the Taichung Branch of the High Court of Taiwan communicated with both parties. The proprietor agreed to pay the Company in the amount of NT\$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 the year ended 2021.

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

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

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

In addition, on 9 January 2023, the Company filed a civil action in the Taiwan Taichung District Court for the payment of contractual obligations, seeking the repayment of NT\$223,731 thousand in total for the withheld settlement of the project by the proprietor and for the overdue payments during the construction period. As of the announcement date of the consolidated financial statements, the case was still pending in the Taichung District Court, and the outcome of the aforementioned action could not be estimated yet.

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

The Company did not unlawfully terminate Fu's appointment as a manager in accordance with the Company Act. Fu served as the general manager of the overseas reinvestee company without the Company's consent and did not return to Taiwan at the Company's request; therefore, the Company terminated the employment relationship in accordance with the Labor Standards Act, and as at the date of announcement of the consolidated financial statements, the case was under mediation proceedings in the Mediation Court of the Pingtung District Court

X. Significant Disaster Losses

None.

XI. Significant subsequent events

None.

## XII. Other

### 1. Categories of financial instruments

#### Financial Assets

	31 Dec. 2022	31 Dec. 2021
Financial assets at fair value through other comprehensive income	\$481,198	\$95,025
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand)	691,334	207,194
Financial assets measured at amortized cost	682,636	517,314
Notes receivables	10,349	20,653
Trade receivables (related parties included)	1,071,438	1,870,689
Other receivables (related parties included)	31,690	413,720
Construction refundable deposits	5,540	69,254
Refundable deposits	17,581	18,290
Long-term receivables	115,867	-
Subtotal	2,626,435	3,117,114
Total	\$3,107,633	\$3,212,139

#### Financial Liabilities

	31 Dec. 2022	31 Dec. 2021
Financial liabilities at amortized cost:		
Short-term loans and notes payable	\$280,000	\$904,299
Payments payable (related parties included)	630,916	666,712
Bond payable	249,624	249,951
Long-term borrowings (current portion included)	364,755	393,702
Refundable deposits received(recognized as other current liabilities - others)	21,787	17,600
Total	\$1,547,082	\$2,232,264

### 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 Group's profit is performed on significant monetary items denominated in foreign currencies as at 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 2022 and 2021 decreases/increases by NT\$4 thousand and NT\$2,815 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 2022 and 2021 will increase or decrease by NT\$729 thousand and NT\$556 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 at 31 December 2022 and 2021, accounts receivables from top ten customers represented 98% and 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.2022						
Loans	\$189,602	\$211,708	\$44,010	\$219,347	\$-	\$664,667
Notes and accounts payable	460,578	10,517	22,606	4,845	-	498,546
Other payables	132,370	-	-	-	-	132,370
Bonds payable	-	1,575	1,575	251,575	-	254,725
Refundable deposits received	3,799	4,963	2,827	10,198	-	21,787

	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

## 6. Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities for the year ended 31 December 2022:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Refundable deposits received	Total
1 Jan. 2022	\$894,341	\$9,958	\$393,702	\$249,951	\$17,600	\$1,565,552
Cash flows	(645,806)	(10,000)	(31,053)	(486)	4,187	(683,158)
Non-cash changes	1,245	42	2,106	159	-	3,552
Exchange difference	30,220	-	-	-	-	30,220
31 Dec. 2022	<u>\$280,000</u>	<u>\$-</u>	<u>\$364,755</u>	<u>\$249,624</u>	<u>\$21,787</u>	<u>\$916,166</u>

Reconciliation of liabilities for the year ended 31 December 2021:

	Short-term Loans	Short-term notes payable	Long-term borrowings (current portion included)	Bonds payable	Refundable deposits received	Total
1 Jan. 2021	\$1,123,967	\$9,976	\$216,244	\$249,755	\$25,179	\$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>

## 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 2022

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

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

Transfers between Level 1 and Level 2 during the period

For the years ended 31 December 2022 and 2021, 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. 2022	\$95,025
Total gains and losses recognized	
Amount recognized in OCI	(19,845)
Reclassified (Note)	406,018
31 Dec. 2022	\$481,198

(Note) On 5 May 2022, as the Group did not participate in the capital increase case of Fujian Taiming Cast Pipe, it lost its control over Fujian Taiming Cast Pipe. The investment was reclassified as investment accounted for using equity method after fair value evaluation. In addition, on 30 November 2022, the Group assessed that it had no intention to participate in financial and operational decisions of Fujian Taiming Cast Pipe and could not influence operational decisions of Fujian Taiming Cast Pipe through voting on the proposal, resulting in the loss of significant influence of the Group. Therefore, the Group stopped accounting for the investments using the equity method and reclassified it as financial assets measured at fair value through other comprehensive income.

	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

#### 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 2022

	Valuation techniques	Significant unobservable inputs	Quantitative information	Relationship between inputs and fair value	Sensitivity of the input to fair value
Financial assets:					
Measured at fair value through other comprehensive income					
Stocks	Comparable Public Company Method	Discount for lack of marketability	28%~38%	The higher the lack of marketability, the lower the fair value estimation	When the percentage of lack of marketability increases (decreases) by 2%, the equity of the group will decrease/increase by NT\$16,974thousand

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

### Valuation process of Level 3 fair value measurement

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

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

31 December 2022

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

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

## 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. 2022			31 December. 2021		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$13	30.66	\$399	\$1,813	27.63	\$50,093
<u>Financial liabilities</u>						
Monetary items:						
USD	-	30.66	-	12,000	27.63	331,560

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 2022 and 2021, the foreign exchange gains or losses on monetary financial assets and financial liabilities amounted to NT\$(30,786) thousand, NT\$9,260 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 2022: Please refer to Attachment 1.
- (2) Endorsement/Guarantee provided to others for the year ended 31 December 2022: Please refer to Attachment 2.
- (3) Securities held as of December 31, 2022 (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 2022: 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 2022: 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 2022: 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 2022: 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 2022: 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) Counterpart y (Note 5)	Reason for short-term financing (Note 6)	Allowanc e for doubtful accounts	Collateral		Limit of financing amount for individual counterpart y (Note 2)	Limit of total financing amount (Note 3)	Note
													Item	Valu e			
1	Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Other receivable s	Yes	\$255,417 (CNY 57,000)	\$249,831 (CNY 57,000)	\$249,831 (CNY 57,000)	4.25%	2	\$-	Need for operating	\$-	-	\$-	\$262,940	\$262,940	(Note 8)

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

(1) The parent company is coded "0".

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

(Note 2) Limit of financing amount for individual counterparty:

(1) Limit of financing amount for individual counterparty shall not exceed 40% of the net asset value and shall not exceed the amount of business transactions. The amount of business transactions is the amount of business transaction in recent 1 year between lender and the counterparty.

(2) Necessary for operating: financing amount to individual counterparty shall not exceed 40% of the net asset value.

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

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

(1) Business contacts is coded "1".

(2) Short-term financing is coded "2".

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

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

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

(Note 8) Xiamen GuoHsin Century Technology Co., Ltd. is listed as an affiliated enterprise of the company (relevant explanations are detailed in Note VI (28)). The disclosure of the transactions shall not be made until the day when the control is lost, and the transactions between related parties shall not be written off when the consolidated statement is compiled from the day when the control is lost.

(Note 9) The New Taiwan Dollars in this table are listed in the exchange rate of 4.383 as of the end of December 2022 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 (Note14)	Ending balance (Note15)	Actual amount provided (Note16)	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 5)	\$200,000	\$75,000	\$65,000	None	1.40%	\$12,403,910 (Note 5)	Y	N	N	(Note 17)
0	The Company	Kuo Yang Environment Technology Co., Ltd.	Kuo Toong Holding Corporation	7,442,346 (Note 5)	3,707,300	2,560,000	2,014,696	None	47.76%	12,403,910 (Note 5)	Y	N	N	(Note 17)
0	The Company	Kuo Chuang Engineering Co., Ltd.	Kuo Toong Holding Corporation	3,751,711 (Note 3)	192,000	192,000	66,980	None	3.58%	5,091,608 (Note 4)	Y	N	N	(Note 17)
0	The Company	Fujian Taiming Casting Pipe Technology Co., Ltd.	Kuo Toong Holding Corporation	3,751,711 (Note 3)	1,605,629	-	-	None	-	5,091,608 (Note 4)	Y	N	Y	(Note 18)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	The Company	Ultimate parent company of Xiamen Kuo Hsin	1,110,583 (Note 6)	578,970	-	-	None	-	1,480,888 (Note 7)	N	Y	N	(Note 19)
1	Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Company with business relationships	262,418 (Note 8)	172,070	-	-	None	-	333,795 (Note 9)	N	N	Y	(Note 19)
2	Kuo Hsin Technology Co., Ltd.	The Company	Parent Company of Kuo Hsin	215,000 (Note 10)	110,000	110,000	100,000	69,692	153.78%	430,000 (Note 11)	N	Y	N	(Note 17)
3	Dinteng Co, Ltd.	Kuo Yang Environment Technology Co.,	Parent Company of Dinteng	5,237,495 (Note 12)	3,597,300	2,450,000	1,994,770	None	74.78%	8,729,158 (Note 13)	Y	N	N	(Note 17)

(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) There are seven types of relationships between the endorser and the endorsed party, which can be indicated as follows:

- (1) A company with which it does business.
- (2) A company in which the public company directly and indirectly holds more than 50% of the voting shares.
- (3) A company that directly and indirectly holds more than 50 % of the voting shares in the public company.
- (4) A company in which the public company holds, directly or indirectly, 90% or more of the voting shares.
- (5) A company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
- (6) A company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) Companies in the same industry provide among themselves joint and several securities for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

(Note 3) Shall not exceed 70% of net asset value of the Company.

(Note 4) Shall not exceed 95% of net asset value of the Company.

(Note 5) 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 6) It shall not exceed 1.5 times the Endorsor/Guarantor's total assets.

(Note 7) Shall not exceed twice the Endorsor/Guarantor's total assets.

(Note 8) Shall not exceed the total amount of business transactions with the company making endorsement / guarantee in the last five years.

(Note 9) Shall not exceed 100% of net asset value of the Endorsor/Guarantor.

(Note 10) Shall not exceed 50% of paid capital of the Endorsor/Guarantor.

(Note 11) Shall not exceed 100% of paid capital of the Endorsor/Guarantor.

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

(Note 13) Shall not exceed five times net asset value of the Endorsor/Guarantor.

(Note 14) The balance of which is at its maximum balance of endorsement/guarantee provided to others in the current year.

(Note 15) The guarantee quota/amount the Company and its subsidiaries are approved by the board of directors to endorse for others.

(Note 16) The actual amount drawn by the endorsed guarantee company within the limit of the endorsed guarantee balance.

(Note 17) The above transactions were all made between consolidated entities in the Company and have been reversed.

(Note 18) Fujian Taiming Casting Technology Co., Ltd., is included in the Company's affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

(Note 19) Xiamen Guo Xin Century Technology Co. Ltd., is included in the Company's affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

Attachment 3: Securities held as of 31 December 2022. (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	10,000,000	\$75,180	25.00%	\$75,180	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
	Unisted (counter) stock- Fujian Taiming Casting Pipe Technology Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	132,248,955	406,018	22.68%	406,018	Not pledged
			Subtotal		481,198		481,198	
Jie Mao International Co., Ltd.	Unisted (counter) stock- Shanghai Songjiang Huaqiao Modern Agriculture Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	-	-	9.73%	-	Not pledged
Marvel Line Co., Ltd.	Unisted (counter) stock- Xiamen Kuo Hsin Century Technology Co., Ltd.	NA	Financial assets measured at fair value through other comprehensive gains and losses - non-current	91,000,000	303,710	91.00%	303,710	Not pledged
			Subtotal		\$784,908		\$784,908	

(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 2022

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	\$279,689	11.66%	-	-	In accordance with the project contract, the payment will be received after the payment is assessed phase by phase	Accounts receivable \$726,240	67.13%	(Note 1)
Kuo Yang Environment Technology Co., Ltd.	The Company	Ultimate parent company of Kuo Yang	Construction costs	279,689	57.97%	-	-	Payment according to project contract assessment progress	Accounts payable 726,240	99.89%	(Note 1)
Kuo Chuang Engineering Co., Ltd.	The Company	Ultimate parent company of Kuo Chuang	Purchase	255,084	10.63%	-	-	Pay monthly according to the purchase contract	Accounts receivable 150,747	13.93%	(Note 1)
The company	Kuo Chuang Engineering Co., Ltd.	Subsidiary	Sales Revenue	255,084	98.38%	-	-	Pay monthly according to the purchase contract	Accounts payable 150,747	95.36%	(Note 1)
Xiamen Kuo Hsin Century Technology Co., Ltd.	Fujian Taiming Casting Pipe Technology Co., Ltd.	Holding company's subsidiary company	Sales revenue	234,002	76.44%	-	-	Pay monthly according to the purchase contract	Accounts receivable 16,417	79.56%	(Note 2)

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

(Note 2) Xiamen Guoxin Century Technology Co., Ltd. is listed as an affiliated enterprise of the Company (relevant explanations are detailed in Note VI (28)), and its transaction status was disclosed until the date of loss of control. It will not be reversed when the financial statements are consolidated.

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, 2022

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 \$726,640 Other receivables – interests receivable \$30,012	24.21%	\$-	-	-	-	(Note 1)
Marvel Line Co., Ltd.	Xiamen Kuo Hsin Century Technology Co., Ltd.	Subsidiary of Marvel Line Co., Ltd.	Long-term receivables -financial accommodation \$249,831 Long-term receivables – interests receivable \$93,340	-	-	-	-	-	(Note 2)

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

(Note 2) Xiamen Guoxin Century Technology Co., Ltd., is included in the Company's affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

Attachment 6: Names, locations, main businesses and products, original investment amount, investment as of 31 December 2022, net income (loss) of investee company and investment income (loss) recognized as of 31 December 2022: (Excluding investment in Mainland China)

Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
The Company	Kuo Toong International LLC.	Dealaware, USA	Engaged in reinvestment holding activities	\$23,625	\$23,625	680,000	100.00%	\$652,448	\$23,976	\$43,987	(Note 4)
	Hsiyu Seawater Desalination Co., Ltd.	Zuoying district, Kaohsiung	Water supply management, piping engineering, automatic control equipment engineering, mechanical installation, etc.	117,000	117,000	11,700,000	100.00%	45,524	1,737	1,737	(Note 4)
	Jie Mao International Co., Ltd.	Zuoying district, Kaohsiung	Building materials wholesale, building materials retail, international trade and machinery wholesale, etc.	109,000	109,000	10,900,100	100.00%	59,661	5,308	5,308	(Note 4)
	Kuo Hsin Technology Co., Ltd. (Note 3)	Zuoying district, Kaohsiung	Chemical material manufacturing and water supply management	316,500	316,500	31,650,000	73.60%	52,646	(8,307)	(6,114)	(Note 4)
	Jianyi Construction Co., Ltd.	Zuoying district, Kaohsiung	Construction, dredging, sand and gravel, silt marine dumping, etc.	274,235	174,235	27,000,000	100.00%	283,478	44,935	44,935	(Note 4)
	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	5,319	5,319	183,488	0.76%	4,996	24,219	2,365	(Note 4)



Investor	Investee company	Address	Main businesses and products	Initial Investment		Investment as of 31 December 2022			Net income (loss) of investee company	Investment income (loss) recognized (Note 2)	Note
				Ending balance	Beginning balance	Number of shares (thousand)	Percentage of ownership (%)	Book value (Note 1)			
	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	88,165,650	50.50%	1,649,883	141,087	71,836	(Note 4)
Jie Mao International Co., Ltd.	Kuo Chuang Engineering Co., Ltd.	Zuoying district, Kaohsiung	Water supply management and piping works, etc.	60,000	60,000	6,000,000	100.00%	68,435	5,346	5,346	(Note 4)
Kuo Toong International LLC.	Marvel Line Co., Ltd.	SAMOA	Engaged in reinvestment holding activities	731,352	731,352	23,897,211	99.24%	652,355	24,219	24,035	(Note 4)
Dinteng Co, Ltd.	Kuo Yang Environment Technology Co., Ltd.	Miaoli County	Machinery installation, other environmental sanitation and pollution prevention services, etc.	2,697,221	2,697,221	255,989,197	100.00%	3,272,233	141,238	141,238	(Note 4)

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

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

(Note 3) On 20 May 2022, the board of directors resolved to suspend operations and on 29 July 2022, the Kaohsiung Internal Revenue Service, Ministry of Finance approved the application for suspension of operations from 1 August 2022 to 31 July 2023.

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

Attachment 7: Investment in Mainland China

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of 1 January 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022	Note
					Outflow	Inflow							
Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 8)	Design, research, manufacturing, etc. of equipment and materials for seawater desalination and sewage treatment projects	\$438,300 (CNY 100,000 thousand)	(1) Marvel Line Co., Ltd.	\$445,153 (USD 14,519 thousand)	\$-	\$-	\$445,153 (USD 14,519 thousand)	\$15,825	91.00%	\$14,401	(Note 10)	-	(Note 2)
Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	Sewage treatment and recycling, tap water production and supply, etc.	17,313 (CNY 3,950 thousand)	(2) Xiamen Kuo Hsin Century Technology Co., Ltd.	-	-	-	-	(1)	47.47%	-	(Note 11)	-	(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	4,383 (CNY 1,000 thousand)	(2) Xiamen Xiangyu Water Environmental Technology Engineering Co., Ltd.	-	-	-	-	(677)	30.86%	-	(Note 11)	-	(Note 2)
Fujian Taiming Casting Pipe Technology Co., Ltd (Note 8)	Metal structure manufacturing, architectural decoration and plumbing pipe parts manufacturing, ductile iron pipes, various pipe fittings, fittings and precision casting products manufacturing	2,555,762 (CNY 583,108 thousand)	(1)、(2) Xiamen Kuo Hsin Century Technology Co., Ltd. (Note 5)	730,107 (USD 23,813 thousand)	-	-	730,107 (USD 23,813)	(441,323)	28.63% (Note 10)	(210,826)	(Note 12)	-	(Note 2)

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 2022	Investment Flows		Accumulated Outflow of Investment from Taiwan as of 31 December 2022	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized (Note 3)	Carrying Value as of 31 December 2022	Accumulated Inward Remittance of Earnings as of 31 December 2022	Note
					Outflow	Inflow							
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 Co., Ltd	-	-	-	-	(5,789)	(Note 10)	(5,789)	-	-	(Note 2)
Linwu Taiming Pipe Industry Technology Co., Ltd.	Manufacturing of ductile iron pipes and special-shaped pipe fittings, various precision casting products	(Note 4)	(2) Fujian Taiming Casting Pipe Technology Co., Ltd	-	-	-	-	(5,294)	(Note 10)	(5,294)	-	-	(Note 2)

Accumulated Investment in Mainland China	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 7)
\$1,355,448 (USD44,209 thousand) (Note 6)	\$1,355,448 (USD44,209 thousand) (Note 6)	\$4,200,154

(Note 1) Methods of investment are divided into three:

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

(Note 2) The above transactions were all made between consolidated entities in the Company and have been reversed.

(Note 3) The investment income or loss recognized for this period includes unrealized gains or losses.

(Note 4) The Company reinvested CNY6,600 thousand (equivalent to NT\$28,928 thousand) through Fujian Taiming Casting Technology Co., Ltd.

(Note 5) Accumulated investment outflow of the Company from Taiwan is USD 23,813 thousand (converted to NTD730,107 thousand) ; the accumulated indirect investment in Mainland China (Xiamen Kuo Hsin Century Technology Co., Ltd.) from the Company is CNY40,000 thousand(converted to NTD175,320thousand).

(Note 6) 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.

(Note 7) According to the provisions of 97.8.22 “Investment or Technical Cooperation Licensing in Mainland China” and “Investment or Technical Cooperation Review Principles in

Mainland China”, the cumulative amount of investors' investment in mainland China depends on the upper limit of other enterprises: net value or a combined net value of 60%, whichever is higher.

(Note 8) Eliminated when preparing the consolidated reports.

(Note 9) The exchange rate of USD to New Taiwan dollars was 1: 30.66 based on the Company’s announcement made at end of December 2022. The exchange rate of CNY to New Taiwan dollars was 1: 4.383 based on the Company’s announcement made at end of December 2022.

(Note 10) Xiamen Guoxin Century Technology Co., Ltd. is included in the Company’s affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

(Note 11) The Company’s subsidiary, Marvel Line Co., Ltd., transferred 91% of the equity interest in Xiamen Guoxin Century Technology Co., Ltd., which indirectly holds 47.47% of the equity interest in Xiamen Xiangyu Water and Environmental Technology Engineering Company Limited and 30.86% of the equity interest in Xiamen Xiangyu Rural Environmental Technology Company Limited. The Company lost control of Xiamen Guo Xin Century Technology Co., Ltd. on December 31, 2022 (see Note VI (28)).

(Note 12) Fujian Taiming Casting Technology Co., Ltd. is included in the Company’s affiliated companies (Note VI (28)). The transactions are disclosed until the date of loss of control, and the transactions between related parties since the date of loss of control are not eliminated in the preparation of the consolidated financial statements.

KUO TOONG INTERNATIONAL CO., LTD.

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KUO TOONG INTERNATIONAL CO., LTD.

1.STATEMENT OF CASH AND CASH EQUIVALENTS

31 December 2022

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

Item	Description	Total	Note
Cash		\$1,000	1.The exchange rate of the US dollar to the NTD is 1:30.66.
Petty cash		1,468	
Subtotal		2,468	
Bank Check Deposits		233	2.The exchange rate of the RMB to the NTD is 1:4.383.
Bank Deposits-NT Dollars		689,910	
Bank Deposits-Foreign currency	USD 7,535.81	231	3.The exchange rate of the EUR to the NTD is 1:32.52.
	RMB 215,978.64	946	
	EUR 431.54	14	
Subtotal		691,334	
Total		\$693,802	

KUO TOONG INTERNATIONAL CO., LTD.

2.STATEMENT OF ACCOUNTS RECEIVABLE

31 December 2022

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

Client	Description	Amount	Note
Client A		\$89,146	The amount of individual client in others does not exceed 5% of the account balance.
Client B		42,631	
Client C		16,138	
Client D		10,384	
Others		36,198	
Subtotal		194,497	
Less: Allowance for doubtful debts		(46)	
Net amount		\$194,451	

KUO TOONG INTERNATIONAL CO., LTD.

3.STATEMENT OF INVENTORIES

31 December 2022

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

Item	Description	Amount		Note
		Cost	Market Price	
Raw materials		\$47,101	\$37,524	The market price is the net realizable value.
Work in progress		148,114	136,782	
Finished goods		88,551	76,453	
Total		283,766	\$250,759	
Less: Allowance for inventory valuation losses		(33,007)		
Net amount		\$250,759		



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

31 December 2022

(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	\$599,482	-		\$43,987 (Note1)		-		-	680	\$652,448	959.48	\$652,448	100%	None	
					8,979 (Note2)											
Hsiyu Seawater Desalination Co., Ltd.	11,700	43,787	-		1,737 (Note1)		-		-	11,700	45,524	3.89	45,524	100%	None	
Jie Mao International Co., Ltd.	10,900	53,278	-		5,308 (Note1)		-		(8,911) (Note3)	10,900	59,661	6.29	68,572	100%	None	
					9,986 (Note4)											
Jianyi Construction Co., Ltd.	17,000	138,543	10,000	(Note6)	100,000 (Note6)		-		-	27,000	283,478	10.50	283,478	100%	None	
					44,935 (Note1)											
Kuo Hsin Technology Co., Ltd.	31,650	58,760	-		-		-		(6,114) (Note1)	31,650	52,646	1.66	52,646	73.60%	None	
Dinteng Co, Ltd.	82,202	1,578,047	5,964	(Note6)	71,836 (Note1)		-		-	88,166	1,649,883	18.77	1,654,549	50.50%	(Note5)	
Fujian Taiming Casting Pipe Technology Co, Ltd.	152,500	323,802			54,447 (Note2)		-		(148,393) (Note1)	152,500	-	1.16	176,553	28.63%	None	
					154,332 (Note7)				(404,998) (Note9)							
					20,810 (Note8)											
Marvel Line Co., Ltd.	183	2,562	-		2,365 (Note1)		-		-	183	4,996	27.30	4,996	0.76%	None	
					69 (Note2)											
Total		\$2,798,261			\$518,791				\$(568,416)		\$2,748,636					

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

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

(Note 3) Downstream transactions are written off.

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

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

(Note 6) : Increase in investment.

(Note 7) : Gain on disposal investment.

(Note 8) : Gain on bargain purchase.

(Note 9) : Reclassify into financial assets at financial assets at fair value through other comprehensive income.

KUO TOONG INTERNATIONAL CO., LTD.

5.STATEMENT OF NOTES PAYABLE

31 December 2022

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

Client	Description	Amount	Note
Client A		\$17,046	The amount of individual client in others does not exceed 5% of the account balance.
Client B		11,679	
Client C		7,873	
Client D		7,100	
Others		89,380	
Total		\$133,078	

KUO TOONG INTERNATIONAL CO., LTD.

6.STATEMENT OFACCOUNTS PAYABLE

31 December 2022

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

Client	Description	Amount	Note
Client A		\$144,658	The amount of individual client in others does not exceed 5% of the account balance.
Client B		40,534	
Client C		31,076	
Client D		21,960	
Others		126,985	
Total		\$365,213	

KUO TOONG INTERNATIONAL CO., LTD.

7.STATEMENT OF OPERATING REVENUES

For the year ended 31 December 2022

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

Item	Amount	Amount	Note
Construction revenue		\$1,488,012	
Operating revenue			
Steel pipe	1,272.96 M	59,823	
Steel pipe parts	1 Set	119,720	
Ductile cast iron pipe	1,764 Cubic Meter	532,260	
Ductile cast iron pipe parts	1 Set	11,333	
Curved tubes	39 Tube	7,100	
End Ring	399 Group	9,348	
Others		40,709	
Subtotal		780,293	
Labor revenue		130,403	
Total		\$2,398,708	

KUO TOONG INTERNATIONAL CO., LTD.

8. STATEMENT OF OPERATING COSTS

For the year ended 31 December 2022

(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	\$78,585	
Add : Raw material purchased	486,427	
Transferred from conversion	18,694	
Transferred from Finished goods	517	
Less : Raw material, end of year	(47,101)	
Sold raw materials	(40,109)	
Transferred to conversion	(113,136)	
Transferred to expense	(35,554)	
Transferred to prepayments for equipment	(917)	
Transferred to construction work-in-process	(4,730)	
Disposal	(65)	
Supplies and parts used	342,611	
Direct labor	87,592	
Factory overheads	267,818	
Manufacturing cost	698,021	
Add : Work in process, beginning of year	147,128	
Add : Raw material purchased	52	
Transferred from material	113,136	
Transferred from Finished goods	7,119	
Transferred from other	46,070	
Less : Work in process, end of year	(148,114)	
Transferred to material	(18,694)	
Transferred to prepayments for equipment	(3,165)	
Transferred to construction work-in-process	(6,211)	
Transferred to other	(8)	
Cost of finished goods	835,334	
Finished goods, beginning of year	68,828	
Add : Finished goods purchased	17,621	
Less : Finished goods, end of year	(88,551)	
Transferred to material	(517)	
Transferred to work in process	(7,119)	
Transferred to construction work-in-process	(242,679)	
Transferred to others	(31)	
Cost of Goods Sold of Self-made Product	582,886	
Invoicing cost	582,886	
Cost of raw materials sold	40,109	
Revenue from sale of scraps	(14,104)	
Loss on inventory impairment	1,017	
Others	25,086	
Construction costs	1,001,746	
Total operating costs	\$1,636,740	

KUO TOONG INTERNATIONAL CO., LTD.

9. STATEMENT OF OPERATING EXPENSES

For the year ended 31 December 2022

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

Item	Marketing expenses	Management expenses	Research and development expenses	Total	Note
Salary expenses	\$2,586	\$64,315	\$13,028	\$79,929	The amount of individual client in other does not exceed 5% of the account balance.
Insurance fee	187	2,729	1,066	3,982	
Communication fee	239	616	16	871	
Labor fee	7	10,148	1,792	11,947	
Financial expenses	-	5,271	-	5,271	
Depreciation	-	824	2,869	3,693	
Other expenses	397	19,423	4,533	24,353	
Total	\$3,416	\$103,326	\$23,304	\$130,046	

**6. Financial Difficulties Have Arisen for the Company and its Affiliated Companies During the Most Recent Year and Up to the Date of Printing of the Annual Report: None**

## VII. Review and analysis of financial position and financial performance and risk issues

### 1. Financial Status

Item \ Year	2022	2021	Increase (decrease)		Note
			Amount	%	
Current assets	4,541,300	6,439,829	(1,898,529)	(29.48)	1
Property, plant and equipment	367,969	1,399,304	(1,031,335)	(73.70)	2
Intangible assets	1,516,689	1,365,568	151,121	11.07	3
Other assets	4,830,454	4,080,011	750,443	18.39	4
<b>Total assets</b>	<b>11,256,412</b>	<b>13,284,712</b>	<b>(2,208,300)</b>	<b>(15.27)</b>	
Current liabilities	1,683,465	4,531,560	(2,848,095)	(62.85)	5
Non-current liabilities	2,572,690	2,010,161	562,529	27.98	6
<b>Total liabilities</b>	<b>4,256,155</b>	<b>6,541,721</b>	<b>(2,285,566)</b>	<b>(34.94)</b>	
Equity attributable to owners of the parent company	5,359,587	4,801,033	558,554	11.63	
Share capital	2,480,782	2,480,782	0	0	
Capital fund	1,470,181	1,470,181	0	0	
Retention surplus	1,614,528	1,099,624	514,904	46.83	7
Other interests	(205,904)	(249,554)	43,650	(17.49)	8
Treasury stocks	0	0	0	0	
Non-controlling interests	1,640,670	1,941,958	(301,288)	(15.51)	9
<b>Total equity</b>	<b>7,000,257</b>	<b>6,742,991</b>	<b>257,266</b>	<b>3.82</b>	

Analysis of the percentage change of increase or decrease:

1. The decrease in current assets of NT\$1,898,529 thousand was mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which was no longer included in the consolidated financial statements, resulting in a decrease of NT\$2,036,154 thousand in related current assets.
2. The decrease in property, plant and equipment of NT\$1,031,335 thousand was mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which was no longer included in the consolidated financial statements, resulting in a decrease of NT\$1,042,194 thousand.
3. Intangible assets increased by NT\$151,121 thousand, mainly due to the addition of NT\$217,676 thousand in wastewater treatment licenses by the Consolidated Company during the year.
4. Other assets increased by NT\$750,443 thousand, mainly due to the Company's assessment of the loss of control and significant influence over Fujian Taiming Casting Pipe Technology Co., Ltd. and Xiamen Kuoxin Century Technology Co., Ltd. by the Company and its subsidiaries during the year, resulting in reclassification of related investments into non-current financial assets measured at fair value through other comprehensive income.
5. Current liabilities decreased by NT\$2,848,095 thousand, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd. and the assessment of the loss of control and significant influence over Xiamen Kuoxin Century Technology Co., Ltd. by the Group, resulting in no longer consolidating them into the financial statements and thereby decreasing related current liabilities by NT\$2,283,757 thousand.
6. Non-current liabilities increased by NT\$562,529 thousand, mainly due to the issuance of secured corporate bonds in the amount of NT\$250,000 thousand in 2022; long-term borrowings increased by NT\$615,546 thousand during the current period due to the restructuring of loan amount in a joint loan case with the Consolidated Company; The decrease of NT\$338,407 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 decreased in the current period, resulting in the difference between the two periods.
7. Retained earnings increased by NT\$514,904 thousand, mainly due to the operating profit of NT\$176,779 thousand in 2022. an increase of NT\$270,645 thousand in accumulated earnings and a net impact of NT\$14,957 thousand from retirement benefit plan actuarial gains and losses.
8. Other equity increased by NT\$43,650 thousand, mainly due to the impact of exchange rate fluctuations on the translation of financial statements of overseas operating institutions in RMB and USD.
9. The decrease in non-controlling interests of NT\$301,288 thousand was mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which was no longer included in the consolidated financial statements.

## 2. Financial performance

Year	2022	2021	Amount of increase (decrease)	Change ratio (%)	Note
Operating income	3,791,723	4,621,035	(829,312)	(17.95)	1
Operating Costs	2,686,939	3,552,571	(865,632)	(24.37)	1
Gross Profit	1,104,784	1,068,464	36,320	3.40	
Operating Expenses	304,601	472,657	(168,056)	(35.56)	
Business Benefits	800,183	595,807	204,376	34.30	
Non-operating income and expenses	30,914	(104,644)	135,558	(129.54)	2
Net income before tax	831,097	491,163	339,934	69.21	
Net income of continuing business units for the period	622,002	327,037	294,965	90.19	1
Loss of closed units	0	0	0	0	
Net profit for the period	622,002	327,037	294,965	90.19	
Other comprehensive income (net of tax) for the period	66,890	(12,244)	79,134	(646.31)	3
Total consolidated profit or loss for the period	688,892	314,793	374,099	118.84	
Net income attributable to owners of the parent company	625,146	448,367	176,779	39.43	
Net income (loss) attributable to non-controlling interests	(3,144)	(121,330)	118,186	(97.41)	
Total consolidated profit or loss attributable to owners of the parent company	682,593	439,405	243,188	55.34	
Total consolidated profit or loss attributable to non-controlling interests	6,299	(124,612)	130,911	(105.05)	
<p>Analysis of the percentage change:</p> <ol style="list-style-type: none"> <li>Operating revenues and operating costs decreased by NT\$829,312 thousand and NT\$865,632 thousand, respectively, mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which was no longer included in the consolidated financial statements, resulting in the subsidiary's revenue and costs were only recognized for the period from January to April.</li> <li>The decrease in non-operating income and expenses of NT\$135,558 thousand was mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., resulting in the disposal gain from the investment was recognized in accordance with accounting principles.</li> <li>Other comprehensive income (net of tax) for the period increased by NT\$79,134 thousand, mainly due to the exchange gain on translation of the financial statements of overseas operating institutions to New Taiwan Dollars resulting from the fluctuations in the exchange rates of RMB and USD.</li> </ol>					



### 3. Cash flows

#### (1) Analysis of changes in cash flows for the year

The net increase in cash of NT\$269,696 thousand in 2022 compared to 2021, and the changes in cash flows were as follows:

- (1) Operating activities: Net cash inflow of NT\$354,466 thousand was mainly due to an increase in other current liabilities resulting in a cash outflow of NT\$301,139 thousand and an increase in other accounts payable resulting in a cash inflow of NT\$641,737 thousand.
- (2) Investing activities: Net cash outflow of NT\$227,362 thousand was mainly due to the Company's reduction of shareholding in its subsidiary, Fujian Taiming Casting Pipe Technology Co., Ltd., which was no longer included in the consolidated financial statements, resulting in cash outflow of NT\$176,022 thousand.
- (3) Financing activities: Net cash inflow of NT\$101,218 thousand was mainly due to the net increase of NT\$236,321 thousand in the Company's long-term and short-term borrowings and the payment of cash dividends, resulting in cash outflow of NT\$124,039 thousand.
- (4) Cash increased by NT\$41,374 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
965,896	280,043	(308,092)	(186,435)	751,412	NA
Analysis of changes in cash flows for 2023. 1. Net cash inflow from operating activities is due to the expected profit in 2023. 2. The cash outflow from investing activities was mainly due to the increase in capital expenditures on property, plant and equipment in 2023, as well as the payment of performance bonds for the projects undertaken. 3. The cash outflow from financing activities was mainly due to the repayment of the Consolidated Company's bank loan.					

### 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 profit of USD 805 thousand for the year was mainly due to the income generated from the Company's investment in Marvel Line Co., Ltd.	—	None
Xiyu Seawater Desalination Co., Ltd.	NT\$117,000 thousand	Water supply operation, piping works, automatic control equipment works, machinery installation	The profit of NT\$1,737 thousand for the year was mainly due to the absence of amortization of impairment loss on the franchise right that was recognized in 2020. This resulted in a gross profit of NT\$1,805 thousand.	—	None
Jie Mao Internationa Co., Ltd.	NT\$109,000 thousand	Building materials wholesale, building materials retail, international trade and machinery wholesale	The profit of NT\$5,308 thousand for the year was mainly due to the income generated from the Company's investment in Kuo Chuang Engineering Co., Ltd.	—	None
Kuo Chuang Engineering Co., Ltd.	NT\$60,000 thousand	Water distribution and operation project	The profit of NT\$5,346 thousand for the year was mainly due to an increase in sales of engineering materials tenders undertaken by the Company and an increase in gross profit on sales.		None
Ting Teng Co., Ltd.	NT\$1,363,692 thousand	Expansion of sewerage and sewage treatment plant business	The profit of NT\$141,087 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 Environmental Technology Co., Ltd.	NT\$2,697,221 thousand	Expansion of sewerage and sewage treatment plant business	The profit of NT\$141,238 thousand for the year was mainly due to income of NT\$162,949 thousand from price adjustment and interest on long-term construction receivables.	—	None
Kuo Hsin Technology Co., Ltd.	NT\$316,500 thousand	Manufacture of chemical materials and water supply operations	The loss for the year was NT\$8,307 thousand, although the revenue increased compared to the previous year. However, due to the Company's application to suspend business operations starting from August 1, 2022, and after deducting necessary fixed expenses, the Company still incurred a loss.	Cease operations and adjust the company's business strategy.	None
Chien Yi Construction Co., Ltd.	NT\$274,235 thousand	Construction, dredging, sand and gravel, silt disposal, etc.	The profit of NT\$44,935 thousand for the year was mainly due to the recognition of the settlement proceeds of NT\$54,517 thousand related to the Hushan Water Treatment Plant lawsuit by the Company.	—	None
Marvel Line Co., Ltd.	USD 24,081 thousand	Investment Companies	The profit of RMB 5,477 thousand for the year was mainly due to a income of RMB3,257 thousand generated from the Company's investment in Xiamen Kuoxin Century Technology Co., Ltd. and interest income of RMB 2,423 thousand from the estimated capital loan to related parties.	—	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.

- ① The 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 and continuously improve financial structure, in order to reduce the risk of interest rate changes.
- ② Since 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.
- ③ The 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.

- ① R&D for testing of large-sized propulsion steel pipe (WSP) with a diameter of 3000mm.
- ② 5000~10000CMD large scale desalination equipment R & D design and R & D production of 5000CMD high pressure pumping equipment.

- (2) Estimated R&D expenses: The Company's estimated R&D expenses for 2023.

- ① The manufacturing, water testing, and mock installation testing R&D for the large-sized propulsion steel pipe (WSP) with a diameter of 3000mm is estimated to cost approximately NT\$2,000 thousand.
- ② 5000~10000CMD large scale desalination equipment R & D design and R & D production of 5000CMD high pressure pumping equipment is about NT\$6,200 thousand.

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 remains vigilant about any changes in the legal landscape; therefore, the Company's external disclosure and reporting practices are in accordance with the prescribed standards. As of the printing date of the annual reports for the years ended December 31, 2022 and 2023, the Company's financial operations were not affected by any changes in the applicable laws.

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 2022 were the Southern Region Water Resources Office, WRA, MOEA and Miaoli County Government with the proportionate share of the total sales of 26.57% and 18.21% for its contracted work and sales of pipes. The Company's main sources of revenue can be divided into pipe sales, contracting, and seawater desalination, 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. Therefore, sales concentration may occur due to the nature of project contracting. 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:

(1) On August 29, 2022, as a shareholder, an extraordinary shareholders' meeting was held for the subsidiary, Xiamen Kuoxin Century Technology Co., Ltd. (hereinafter referred to as "Xiamen Kuoxin"). Resolutions were passed to completely reelect the Board of Directors and supervisors, change the Company's registered address, and amend the Company's Articles of Incorporation. However, the original management of Xiamen Kuoxin did not recognize the resolutions of the extraordinary shareholders' meeting held on August 29, 2022, and refused to cooperate in the transition process. To safeguard the legitimate rights and interests of shareholders, the Group filed a lawsuit with the Haicang People's Court in Xiamen, Fujian Province, on October 17, 2022, seeking the return of relevant licenses to the Group from the original management of Xiamen Kuoxin and, based on legal advice, further initiating the following legal actions:

A. Invalid Articles of Incorporation Case - This lawsuit is filed against the invalidity and ineffectiveness of the Articles of Incorporation revised by the original management. The lawsuit for the return of licenses, originally filed on October 17, 2022, and the shareholder dispute case involving a third party, filed on February 6, 2023, have been assessed by lawyers to be pursued as lawsuits against the invalidity of the Articles of Incorporation revised by the original management. The outcome of this trial will serve as the basis for subsequent rulings on the return of licenses. Therefore, the lawsuits for the return of licenses and the shareholder dispute case have been suspended. The original court hearing was scheduled for May 11, 2023, but has been postponed due to incomplete court procedures. As of the date of issuing the consolidated financial statements, the new hearing date has not been determined.

B. Loan Dispute Case – Before the loss of control and significant influence over Xiamen Kuoxin, the Group had previously provided funds to Xiamen Kuoxin. In order to protect the Group's creditor's rights, a loan dispute case has been filed with the court against Xiamen Kuoxin. Simultaneously, the Group has also applied for property preservation, requesting the court to freeze Xiamen Kuoxin's assets in the amount of RMB 64,646 thousand in accordance with the law.

C. Shareholders' Information Rights Case - The Group filed a lawsuit to protect the shareholders' rights to access relevant information regarding Xiamen Kuoxin in accordance with the law.

As of May 12, 2023, the aforementioned case is still pending trial.

(2) Former employee Fu Jun filed a civil lawsuit on August 2nd, 2022, with the Pingtung District Court, seeking confirmation of the existence of an employment relationship,

claiming retirement benefits including the calculation of overseas allowance, and alleging wrongful termination of the mutual appointment relationship by the Company, resulting in damages amounting to NT\$ 15,410,000. The Company asserts that the termination of Fu Jun's position as appointed manager was lawful under the Company Act, as Fu Jun had taken on the role of President at an overseas investment company without the company's consent and failed to return to Taiwan as requested. Therefore, the Company terminated the employment relationship in accordance with the Labor Standards Act. As of May 12, 2023, the case was not resolved through mediation at the Pingtung District Court's mediation session and will proceed to litigation.

13. Information security risks and measures in response:

The Company places great importance on information security and continues to strive to reduce data security risks. The following is an explanation of the major information security risks and the corresponding measures adopted by the Company:

(1) Power Interruption Risk:

The Company acknowledges the potential inconvenience and losses that may arise from power interruptions affecting our operations. Therefore, we have planned the following adjustments to ensure that our business can continue to operate smoothly even during power outages. The Company will improve the power system at our headquarters to enhance its stability and reliability. This includes implementing state-of-the-art uninterruptible power supply (UPS) systems to provide continuous and reliable power supply during power interruptions. These measures are aimed at ensuring the continuity of our systems and reducing potential risks associated with power outages.

(2) Data Loss Risk:

The Company places great importance on the integrity and security of data and takes multiple measures to prevent data loss. To achieve this, we have established backup and redundancy mechanisms to ensure uninterrupted services. Regular data recovery tests are conducted annually to verify the effectiveness of backups and ensure that data can be restored quickly and accurately. These measures are aimed at protecting data and ensuring that the Company can promptly recover to normal operations.

(3) Information Leakage Risk:

The Company places a strong emphasis on preventing the leakage of confidential information belonging to the Company and stakeholders. As part of our efforts, we regularly audit server access logs to ensure that only authorized personnel can access sensitive information. Additionally, the Company provides information security education and training to new employees to ensure their understanding and compliance with the Company's information security policies and procedures. These measures aim to minimize the risk of employees leaking confidential information of the Company and stakeholders and to ensure the proper maintenance of the Company's information security environment.

14. Other important risks and measures in response: None

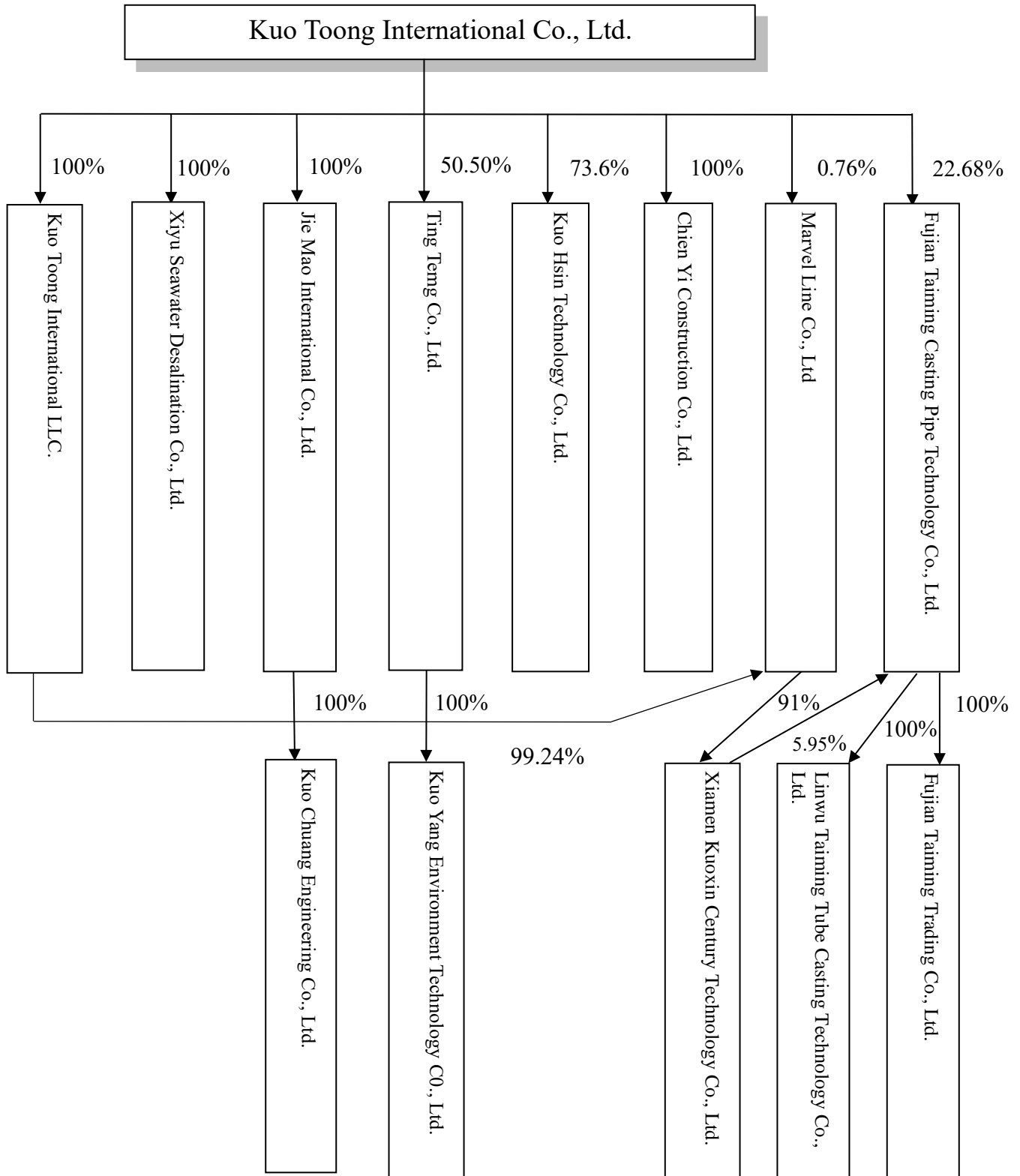
**7. Other important matters: None.**

## VIII. Special Disclosures

### 1. 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	USD 680,000	USD 680,000		Investment Companies
Xiyu Seawater Desalination Co., Ltd.	December 2005	Zuoying District, Kaohsiung City, Taiwan	New Taiwan Dollar 117,000,000	New Taiwan Dollar 117,000,000	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 270,000,000	New Taiwan Dollar 270,000,000	100%	Construction, 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, propulsion 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	USD 24,080,699	USD 24,080,699	100%	Investment Companies
Xiamen Kuoxin Century Technology Co., Ltd.	November 30, 2012	Room 1201, No. 26 Binhu 1st Village, 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 1,745,832,000	New Taiwan Dollar 881,657,000	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., Ltd.	March 2009	Zhunan Township, Miaoli County, Taiwan	New Taiwan Dollar 2,559,892,000	New Taiwan Dollar 2,559,892,000	100%	Piping project, waste (sewage) water treatment, mechanical installation
Fujian Taiming Casting Pipe Technology Co., Ltd.	June 12, 2014	Fujian Meili Economic Development Zone Xiaojiao Industrial Park	RMB 583,108,000	RMB 192,500,000	28.63%	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

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 Casting Pipe Technology Co., Ltd. has not yet remitted the investment amount as of Dec. 31, 2022.

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, propulsion steel pipes, ductile iron pipes, and various cement products, as well as the installation and burial of water pipes and desalination treatment.	Contracting of Kuo Yang and Chien Yi projects; sale of pipes to Kuo Chuang
Kuo Toong International Llc.	Investment Company.	None
Xiyu 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., Ltd.	Piping works, waste (sewage) water treatment, mechanical installation.	Engaging Kuo Toong to undertake the 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.	Manufacture and sale of all kinds of pre-stressed concrete pipes, straight steel pipes, propulsion steel pipes, various cement products, parts and components, and installation of all kinds of water pipes and parts.	Procurement of pipes from Kuo Toong
Chien Yi Construction Co., Ltd.	The business of camping, dredging, sand and gravel, silt dumping, etc.	Engaging Kuo Toong to undertake the project
Ting Teng Co., Ltd.	Energy technology services, water supply operation, machinery and equipment manufacturing, installation and piping engineering, and other environmental sanitation and pollution prevention services.	None
Marvel Line Co., Ltd.	Investment Company.	None
Xiamen Kuoxin Century Technology Co., Ltd.	Design, development, manufacture and wholesale of equipment and materials for desalination and wastewater treatment projects.	None

## 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	Hong, Ya-man	0	0
	Supervisor	None	0	0
	General manager	None	0	0
Xiyu Seawater Desalination Co., Ltd.	Chairperson	Hong, Ya-man	0	0
	Director	Huang, Wen-hui	0	0
	Director	Yang, Yong-fu	0	0
	Supervisor	Yang, Yu-cheng	0	0
	General manager	None	0	0
Jie Mao International Co., Ltd.	Chairperson	Du, Guan-chen	0	0
	Director	Hong, Ya-man	0	0
	Director	Su, Chiu-he	0	0
	Supervisor	Yang, Yu-cheng	0	0
	General manager	None	0	0
Kuo Yang Environment Technology Co., Ltd.	Chairperson	Hong, Ya-man	0	0
	Director	Chen, Nien	0	0
	Director	Yang, Jin-fang	0	0
	Supervisor	Du, Guan-chen	0	0
	Supervisor	Hsu, Bo-sen	0	0
	General manager	None	0	0
Kuo Hsin Technology Co., Ltd.	Chairperson	Du, Guan-chen	0	0
	Director	Hong, Ya-man	0	0
	Director	Yang, Yu-cheng	0	0
	Director	Chang, Ren-hong	3	0.07
	Director	Su, Chiu-he	1.5	0.03
	Supervisor	Huang, Wen-hui	0	0
	General manager	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
	General manager	None	0	0
Chien Yi Construction Co., Ltd.	Chairperson	Yang, Yong-fu	0	0
	Director	Su, Chiu-he	0	0
	Director	Huang, Wen-hui	0	0
	Supervisor	Hsieh, Ming-hsiu	0	0
	General manager	None	0	0
Ting Teng Co., Ltd.	Chairperson	Hong, Ya-man	0	0
	Director	Huang, Fu-zhen	0	0
	Director	Chen, Nien	0	0
	Supervisor	Du, Guan-chen	0	0
	Supervisor	Hsu, Bo-sen	0	0
	General manager	None	0	0
Mavel Line Co., Ltd.	Chairperson	Hong, Ya-man	0	0
	Supervisor	None	0	0
	General manager	None	0	0
Xiamen Kuoxin Century Technology Co., Ltd.	Chairperson	Du, Guan-chen	0	0
	Director	Chen, Jun-cheng	0	0
	Director	Su, Chiu-he	0	0
	Director	Yang, Yong-fu	0	0

Name of Company	Position	Name or representative (Note 1)	Shareholdings (Note 2)	
			Number of shares (10 thousand shares)	Shareholding (%)
	Director	Yang, Yu-cheng	0	0
	Supervisor	Huang, Fu-zhen	0	0
	Supervisor	Huang, Wen-hui	0	0
	Supervisor	Zheng, Zheng-yang	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 company limited by shares, fill in the amount of capital and the percentage of capital contribution.

## 6. Overview of the operations of each affiliated company

Unit: NT\$ thousands								
Company Name	Paid-in capital	Total Asset Value	Total liabilities	Net value	Operating income	Business Benefits	Profit or loss for the period (after tax)	Earnings per share (After tax) (NT\$)
Kuo Toong International Co., Ltd.	2,480,782	7,480,388	2,120,801	5,359,587	2,398,708	632,997	625,146	2.52
Kuo Toong International LLC.	23,625	652,449	1	652,448	-	-48	23,976	-
Xiyu Seawater Desalination Co., Ltd.	117,000	47,501	1,977	45,524	14,478	1,669	1,737	0.15
Chien Yi Construction Co., Ltd.	270,000	296,631	13,153	283,478	56,290	53,753	44,935	1.66
Kuo Hsin Technology Co., Ltd.	430,000	72,486	957	71,529	7,645	-8,633	-8,307	-0.19
Jie Mao International Co., Ltd.	109,001	68,606	34	68,572	-	-38	5,308	0.49
Kuo Chuang Engineering Co., Ltd.	60,000	339,579	271,145	68,434	319,587	8,715	5,346	0.89
Ting Teng Co., Ltd.	1,745,832	3,279,293	2,957	3,276,336	-	-1,830	141,087	0.81
Kuo Yang Environment Technology Co., Ltd.	2,559,892	6,244,092	2,971,859	3,272,233	683,715	182,209	141,238	0.55
Marvel Line Co., Ltd.	736,671	657,591	241	657,350	-	-910	24,219	1.01

(2) Consolidated financial statements of affiliated companies: Please refer to Pages 130-255 of this annual report.

### (3) Affiliation Report

#### KUO TOONG INTERNATIONAL CO., LTD. AFFILIATION REPORT

#### DECLARATION STATEMENT OF AFFILIATION REPORT

The 2022 Affiliation Report of the Company (from January 1st to December 31st of the year 2022) is prepared in accordance with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises. The disclosed information in this report has no significant inconsistency from relevant information disclosed in the financial statements and accompanying notes for the aforementioned period.

This statement is hereby certified.

Kuo Toong International Co., Ltd.

Chairperson: Hong, Ya-man

May 12, 2023

KUO TOONG INTERNATIONAL CO., LTD.  
REPRESENTATION LETTER AUDITORS' REVIEW REPORT

To KUO TOONG INTERNATIONAL CO., LTD.

According to the declaration of KUO TOONG INTERNATIONAL CO., LTD. (the Company), the Affiliation Report of 2022, had been prepared in conformity with the Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliates Enterprises and the information in the above report has no significant inconsistency from the notes to the financial statements as of and for the year ended December 31, 2022.

We have examined the Affiliation Report of the Company against the Criteria and the Notes. As stated in the above declaration, there was no significant inconsistency found between your 2022 Affiliation Report and the Criteria and the Notes for the year ended December 31, 2022.

Ernst & Young, Taiwan

The preparation of the financial statements of a public company is approved by the competent authority.

Approval number: FSC Securities Examination No. 1100352201

FSC Securities Examination No. 1010045851

Hong, Kuo-sen

CPAs:

Lee, Fang-Wen

May 12, 2023

1. Overview of the Relationship between the Subsidiary Company and the Controlling Company

The information of the Company's subsidiary company, Tong Chuang Co., Ltd., are as follows:

Controlling Company Name	Reason for Control	Shareholding and Pledge Status of Controlling Company			Appointment of Directors, Supervisors, or Managers by Controlling Company	
		Shareholding	Shareholding Percentage	Pledged Shares	Title	Name
Tong Chuang Co., Ltd.	Obtaining a majority of director seats in the Company	8,000,224	3.22%	3,000,000	Chairman	Hong, Ya-man
					Director	Lo, Wei-tze
						Gao, Feng-chi
						Shi, Chin-zang
						Zhou, Huang-tsan
						Pan, Ren-zhi

1. Transactions between the Subsidiary Company and the Controlling Company.

The transactions between the Company and the Controlling Company, Tong Chuang Co., Ltd., in 2022 are as follows:

(1) Sales and purchases transactions: None.

(2) Property transactions: None.

(3) Financial transactions: None.

(4) Asset leasing: None.

(5) Other significant transactions: None.

3. Endorsements and guarantees between the Subsidiary Company and the Controlling Company: None.

4. Other matters with significant financial and operational impact: None.

Kuo Toong International Co., Ltd.

Chairperson: Hong, Ya-man

May 12, 2023

- 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 up to the date of printing 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.**

**IX. 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: Hong, Ya-man

Printed on May 22, 2023