

Sanitar Co., Ltd.

Parent Company Only Financial
Statements and Independent
Auditors' Report

For the Years Ended December 31, 2020
and 2019

(Translation Edition)

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Accountant's Audit Report

To Sanitar Co., Ltd.:

Audit opinion

I have audited the financial statements of Sanitar Co., Ltd., which comprise the Parent Company Only Statements of Financial Position as as of Dec. 31, 2020 and Dec. 31, 2019, the Parent Company Only Statement of Comprehensive Income from Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019, Parent Company Only Statement of Change in Equity, Parent Company Only Statement of Cash Flows, and Parent Company Only Financial Statement Notes (including a summary of significant accounting policies).

In my opinion, the accompanying Parent Company Only Financial Statements are properly drawn up in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers so as to give a true and fair view of the Parent Company Only Financial Position of the Sanitar Co., Ltd. as of December 2020 and 2019 and of the Parent Company Only Financial Performance and Cash Flows of Sanitar Co., Ltd. from January 1 to December 31, 2020 and 2019.

Basis for audit opinion

I conducted my audit in accordance with Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Generally Accepted Auditing Standards. My responsibilities under those standards are further described in the 'Accountant's responsibilities for the audit of the Parent Company Only Financial Statements' section of my report. I am independent of Sanitar Co., Ltd. in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit

evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matter

The key auditing matter is which that, in my professional judgment, is most significant to my review of the Parent Company Only Financial Statements of Sanitar Co., Ltd. for 2020. Such matter has been considered in the process of examining the Parent Company Only Financial Statements taken as a whole and forming an opinion thereon, and I do not express an opinion on the matter individually.

The following is the description of the key audit matter in the Parent Company Only Financial Statements of Sanitar Co., Ltd. for 2020:

Key Audit Matter: Authenticity in Sales to Specific Customers

Due to the significant audit risk associated with the revenue recognition under auditing standards, Sanitar Co., Ltd. are mainly dealing with distributors and have added significant sales from specific non-distributor customers, therefore, based on the consideration of the materiality of the financial statements, the authenticity in sales revenue from specific customers with high order amounts and significant new sales in the current year is considered as a key audit matter. Please refer to Notes 4 (11) and 19 to the Parent Company Only Financial Statements.

In connection with the above key matter, I conducted the following principal audit procedures:

1. To understand, evaluate and test the effectiveness of the design and implementation of the internal control system related to revenue recognition.
2. To obtain a detailed sales breakdown from specific customers in fiscal 2020, verify the original orders, delivery notes, invoices and other related documents of the relevant transactions, and verify with the recorded amounts to confirm the authenticity of the revenues.
3. To obtain a breakdown of subsequent sales returns from specific customers, verify the related documents and examine the reasonableness of the returns.

Responsibilities of management and directors for the Parent Company Only Financial Statements

Management is responsible for the preparation of Parent Company Only Financial Statements that give a true and fair view in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition.

In preparing the Parent Company Only Financial Statements, management is responsible for assessing the ability of Sanitar Co., Ltd. to continue as going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Sanitar Co., Ltd. or to cease operations, or has no realistic alternative, but to do so.

The responsibilities of the governing body (including supervisors) include overseeing the financial reporting process of Sanitar Co., Ltd.

Auditors' responsibilities for the audit of the Parent Company Only Financial Statements

My 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 auditors' report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with GAAS 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 in the basis of these Parent Company Only Financial Statements.

As part of an audit in accordance with GAAS, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 audit opinions. Because fraud may be related to conspiracy, forgery, deliberate omission, false statement or breach of internal control, the risk of a material

misstatement caused by fraud which is not identified is higher than the risk of a material misstatement caused by any error.

2. Obtain an understanding of internal controls 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 internal control effectiveness of Sanitar Co., Ltd.
3. Assess the appropriateness of management's use of accounting policies and the reasonability of the accounting estimate and relevant disclosure.
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 of Sanitar Co., Ltd. to continue as a going concern. 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 auditors' report. However, future events or conditions may cause Sanitar Co., Ltd. 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 relevant notes), and whether the Parent Company Only Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. I have obtained sufficient and appropriate evidence to audit the Parent Company Only Financial Information of Sanitar Co., Ltd. to express an opinion on the Parent Company Only Financial Statements. I am responsible for the guidance, supervision and execution of the audit and for forming an audit opinion on Sanitar Co., Ltd.

I communicate with the governing body regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal controls that we identify during our audit).

I have also provided the governing body with a statement that the independence-regulated personnel of the firm to which I am affiliated have complied with the Code of Ethics for Professional Accountants with respect to independence, and communicate with the governing body about all relationships and other matters (including related protective measures) that may be considered to affect the accountant's independence.

I have determined the key audit matter for the audit of the Parent Company Only Financial Statements of Sanitar Co., Ltd. for the year ended December 31, 2020 from the communications I have had with the governing body. I identified such matter in my auditor's report, except for those matters that are not permitted by law to be disclosed publicly or, in the rarest of circumstances, I decided not to communicate those matters in my auditor's report because I reasonably could expect the negative effect of such communication to outweigh the public interest.

Deloitte & Touche

Accountant SU, YU-XIU

Accountant WENG, BO-REN

FSC Approval Number:
Jin-Guan-Zheng-Shen-Zi
No.1040024195

FSC Approval Number:
Jin-Guan-Zheng-Shen-Zi No.
1010028123

March 9, 2021

Sanitar Co., Ltd.
Parent Company Only Statement of Financial Position
As of Dec. 31, 2020 and Dec. 31, 2019

Unit: NT\$ thousands

C o d e	Assets	Dec. 31, 2020		Dec. 31, 2019	
		Amount	%	Amount	%
	Current assets				
1100	Cash and cash equivalents (Note IV, VI and XXIV)	\$ 53,805	2	\$ 82,077	4
1150	Notes receivable, net (Note IV, VIII and XXIV)	13,804	1	14,519	1
1170	Net value of accounts receivable (Note IV, VIII, XIX and XXIV)	163,618	7	142,382	6
1180	Accounts receivable—Related parties, net (Note IV, VIII, XIX, XXIV and XXV)	8,373	1	3,419	-
1200	Other receivables (Note IV and XXIV)	304	-	305	-
1210	Other receivables—related parties (Note IV, XXIV and XXV)	30,251	1	28,037	1
130X	Inventory (Note IV and IX)	164,705	7	142,131	6
1419	Other prepaid expenses	2,185	-	2,130	-
1421	Prepayments	11,848	1	2,237	-
1479	Other current assets—Other (Note XIV)	2,160	-	563	-
11XX	Total current assets	<u>451,053</u>	<u>20</u>	<u>417,800</u>	<u>18</u>
	Non-current assets				
1517	Financial assets measured at fair value through other comprehensive income - non-current (Note VII and XXIV)	262	-	-	-
1550	Investment accounted for using the equity method (Note IV and X)	1,238,720	54	1,340,484	57
1600	Property, plant and equipment (Note IV, XI and XXVI)	500,848	22	503,335	21
1755	Right-of-use assets (Note IV and XII)	35,636	1	35,007	2
1780	Intangible assets (Note IV and XIII)	1,009	-	261	-
1840	Deferred income tax assets (Note IV and XXI)	62,653	3	44,555	2
1915	Prepayments for business facilities (Note XXVII)	-	-	458	-
1920	Refundable deposits	4,720	-	4,330	-
1990	Other non-current assets—other (Note VIII and XIV)	-	-	-	-
15XX	Total non-current assets	<u>1,843,848</u>	<u>80</u>	<u>1,928,430</u>	<u>82</u>
1XXX	Total assets	<u>\$ 2,294,901</u>	<u>100</u>	<u>\$ 2,346,230</u>	<u>100</u>
Code	Liabilities and Equity				
	Current liabilities				
2100	Short-term loans (Note XV and XXIV)	\$ 233,000	10	\$ 325,000	14
2130	Contract liabilities - current (Note IV and XIX)	2,492	-	826	-
2170	Accounts payable (Note XVI and XXIV)	33,542	2	39,931	2
2180	Accounts payable—related parties (Note XVI, XXIV and XXV)	-	-	1	-
2200	Other payables (Note XVII and XXIV)	61,886	3	55,953	2
2230	Current income tax liabilities (Note IV, XXI and XXIV)	46,972	2	16,409	1
2280	Lease liabilities - current (Note IV, XII and XXIV)	10,095	-	8,282	-
2399	Other current liabilities—other (Note XXIV)	7,533	-	3,275	-
21XX	Total current liabilities	<u>395,520</u>	<u>17</u>	<u>449,677</u>	<u>19</u>
	Non-current liabilities				
2570	Deferred income tax liabilities (Note IV and XXI)	170,766	8	176,544	8
2580	Lease liabilities - non-current (Note IV, XII and XXIV)	25,800	1	26,763	1
25XX	Non-Total current liabilities	<u>196,566</u>	<u>9</u>	<u>203,307</u>	<u>9</u>
2XXX	Total liabilities	<u>592,086</u>	<u>26</u>	<u>652,984</u>	<u>28</u>
	Equity (Note IV, XVIII and XXI)				
	Share capital				
3110	Common shares	726,000	32	726,000	31
3200	Additional paid-in capital	277,452	12	277,452	12
	Retained earnings				
3310	Legal reserve	220,568	9	202,583	9
3320	Special reserve	166,030	7	146,675	6
3350	Unappropriated retained earnings	565,898	25	506,566	21
3300	Total retained earnings	<u>952,496</u>	<u>41</u>	<u>855,824</u>	<u>36</u>
3400	Other equity	(237,459)	(10)	(166,030)	(7)
3500	Treasury shares	(15,674)	(1)	-	-
3XXX	Total liabilities	<u>1,702,815</u>	<u>74</u>	<u>1,693,246</u>	<u>72</u>
	Total liabilities and equity	<u>\$ 2,294,901</u>	<u>100</u>	<u>\$ 2,346,230</u>	<u>100</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairperson: HSIAO, CHUN-XIANG

Manager: CHEN, WEI-CHIH

Accounting Supervisor: CHEN, YU-CHUAN

Sanitar Co., Ltd.

Parent Company Only Statement of Comprehensive Income

From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT\$ thousands,
Except the earnings per share are in NT\$

C o d e	2020		2019		
	A m o u n t	%	A m o u n t	%	
	Operating revenue (Note IV, XIX and XXV)				
4110	Sales revenue	\$ 1,466,621	100	\$ 1,303,656	100
4170	Sales return	(7,017)	(1)	(24,112)	(2)
4190	Sales allowances	(17,284)	(1)	(6,976)	-
4800	Other operating revenue	<u>29,076</u>	<u>2</u>	<u>27,615</u>	<u>2</u>
4000	Total operating revenue	<u>1,471,396</u>	<u>100</u>	<u>1,300,183</u>	<u>100</u>
	Operating costs (Note VIII, XX and XXV)				
5110	Cost of sales	(979,919)	(67)	(914,074)	(71)
5800	Other operating costs	(<u>45,579</u>)	(<u>3</u>)	(<u>42,561</u>)	(<u>3</u>)
5000	Total operating costs	(<u>1,025,498</u>)	(<u>70</u>)	(<u>956,635</u>)	(<u>74</u>)
5900	Gross operating profit	<u>445,898</u>	<u>30</u>	<u>343,548</u>	<u>26</u>
	Operating expenses (Note XX)				
6100	Marketing expenses	(125,529)	(8)	(97,883)	(7)
6200	Management expenses	(86,758)	(6)	(77,265)	(6)
6300	R&D expenses	(8,003)	(1)	(7,083)	(1)
6450	Expected credit losses	(<u>2,270</u>)	<u>-</u>	(<u>1,794</u>)	<u>-</u>
6000	Total operating expenses	(<u>222,560</u>)	(<u>15</u>)	(<u>184,025</u>)	(<u>14</u>)
6500	Other income and expenses, net (Note XX)	(<u>822</u>)	<u>-</u>	(<u>1</u>)	<u>-</u>
6900	Net operating profit	<u>222,516</u>	<u>15</u>	<u>159,522</u>	<u>12</u>
	Non-operating income and expenses (Note IV)				
7070	Share of the profit or loss of subsidiaries and associates accounted for using the equity method	58,949	4	71,890	6
7100	Interest income	40	-	73	-
7110	Rental income	530	-	2,286	-
7190	Other income	5	-	1	-

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C o d e		2020		2019	
		A m o u n t	%	A m o u n t	%
7510	Interest expense	(\$ 4,043)	-	(\$ 2,898)	-
7230	Foreign exchange gain	-	-	401	-
7630	Foreign exchange loss	<u>932</u>	-	<u>-</u>	-
7000	Non-operating Total income and expenses	<u>54,549</u>	<u>4</u>	<u>71,753</u>	<u>6</u>
7900	Net profit before tax	277,065	19	231,275	18
7950	Income tax expense (Note IV and XXI)	(<u>56,973</u>)	(<u>4</u>)	(<u>51,424</u>)	(<u>4</u>)
8200	Net income in the fiscal year	<u>220,092</u>	<u>15</u>	<u>179,851</u>	<u>14</u>
	Other comprehensive income (Note IV, XVIII and XXI)				
8310	Items that will not be reclassified to profit or loss:				
8316	Investment in equity instruments measured at Unrealized gains or losses measured at FVTOCI	(2,738)	-	-	-
8360	Amount of items that may be reclassified subsequently to profit or loss :				
8380	Share of the other comprehensive income of subsidiaries, associates and joint ventures accounted for using the equity method	(85,864)	(6)	(24,194)	(2)
8399	income tax related to the items that may be reclassified	<u>17,173</u>	<u>1</u>	<u>4,839</u>	<u>-</u>
		(<u>68,691</u>)	(<u>5</u>)	(<u>19,355</u>)	(<u>2</u>)
8300	Other comprehensive income in the fiscal year (net value after tax)	(<u>71,429</u>)	(<u>5</u>)	(<u>19,355</u>)	(<u>2</u>)
8500	Total comprehensive income in the fiscal year	<u>\$ 148,663</u>	<u>10</u>	<u>\$ 160,496</u>	<u>12</u>

	Earnings per share (Note XX)		
9750	Basic	<u>\$ 3.04</u>	<u>\$ 2.48</u>
9850	Diluted	<u>\$ 3.03</u>	<u>\$ 2.47</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairperson: HSIAO, CHUN-XIANG

Manager: CHEN, WEI-CHIH

Accounting Supervisor: CHEN, YU-CHUAN

Sanitar Co., Ltd.
Parent Company Only Statement of Changes in Equity
From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT\$ thousands

							O t h e r e q u i t y				
Code		<u>S h a r e c a p i t a l</u>		<u>A d d i t i o n a l</u>	<u>R e t a i n e d e a r n i n g s</u>				<u>T r e a s u r y</u>	<u>T o t a l e q u i t y</u>	
		Number of shares (1,000 s h a r e s)	Share capital	paid-in capital	Legal reserve	Special reserve	Unappropriate d retained earnings	Exchange difference arising from translation of foreign operation financial statements	Unrealized gains or losses on financial assets at fair value through other comprehensive income	s h a r e s	
A1	Balance as of Jan. 1, 2019	72,600	\$ 726,000	\$ 277,452	\$ 177,182	\$ 150,895	\$ 514,876	(\$ 146,675)	\$ -	\$ -	\$ 1,699,730
	Appropriation and distribution of earnings in 2018										
B1	Legal reserve	-	-	-	25,401	-	(25,401)	-	-	-	-
B3	Special reserve	-	-	-	-	(4,220)	4,220	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(166,980)	-	-	-	(166,980)
D1	Net income for 2019	-	-	-	-	-	179,851	-	-	-	179,851
D3	Other comprehensive income after tax, 2019	-	-	-	-	-	-	(19,355)	-	-	(19,355)
D5	2019The total comprehensive income	-	-	-	-	-	179,851	(19,355)	-	-	160,496
Z1	Balance as of Dec. 31, 2019	72,600	726,000	277,452	202,583	146,675	506,566	(166,030)	-	-	1,693,246
	Appropriation and distribution of earnings in 2019										
B1	Legal reserve	-	-	-	17,985	-	(17,985)	-	-	-	-
B3	Special reserve	-	-	-	-	19,355	(19,355)	-	-	-	-
B5	Cash dividends	-	-	-	-	-	(123,420)	-	-	-	(123,420)
D1	Net income for 2020	-	-	-	-	-	220,092	-	-	-	220,092
D3	Other comprehensive income after tax, 2020	-	-	-	-	-	-	(68,691)	(2,738)	-	(71,429)
D5	The total comprehensive income in 2020	-	-	-	-	-	220,092	(68,691)	(2,738)	-	148,663
L1	Purchase of treasury shares	-	-	-	-	-	-	-	-	(15,674)	(15,674)

Z1	Balance as of Dec. 31, 2020	<u>72,600</u>	<u>\$ 726,000</u>	<u>\$ 277,452</u>	<u>\$ 220,568</u>	<u>\$ 166,030</u>	<u>\$ 565,898</u>	<u>(\$ 234,721)</u>	<u>(\$ 2,738)</u>	<u>(\$ 15,674)</u>	<u>\$ 1,702,815</u>
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The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairperson: HSIAO, CHUN-XIANG

Manager: CHEN, WEI-CHIH

Accounting Supervisor:CHEN, YU-CHUAN

Sanitar Co., Ltd.

Parent Company Only Statements of Cash Flows

From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

Unit: NT\$ thousands

C o d e		2020	2019
	Cash flow from operating activities		
A10000	Net profit before tax in the current period	\$ 277,065	\$ 231,275
A20010	Income charges (credits)		
A20100	Depreciation expense	32,805	22,479
A20200	Amortization expense	282	879
A20300	Expected credit losses	2,270	1,794
A20900	Financial costs	4,043	2,898
A21200	Interest income	(40)	(73)
A22400	Share of the profit or losses of the subsidiaries, associates and joint ventures accounted for using the equity method	(58,949)	(71,890)
A22500	Gain on the disposal of property, plant and equipment	(41)	(146)
A23800	Loss from market price decline and obsolete and slow-moving inventory (gain from price recovery)	2,786	(2,500)
A29900	Profit from lease modification	(103)	-
A30000	Net changes in operating assets and liabilities		
A31130	Notes receivable	715	13,886
A31150	Accounts receivable	(23,506)	(17,212)
A31160	Accounts receivable — Related parties	(4,954)	(1,063)
A31180	Other receivables	(1)	(226)
A31190	Other receivables — Related parties	(2,214)	(13,198)
A31200	Inventory	(25,360)	(6,620)
A31220	Other prepaid expenses	(55)	468
A31230	Prepayments	(9,611)	570
A31240	Other current assets	(1,597)	163
A32125	Contract liabilities - current	1,666	826
A32150	Accounts payable	(6,389)	(32,736)
A32160	Accounts payable — Related parties	(1)	(2,837)
A32180	Other payables	6,190	(21,845)
A32230	Other current liabilities	<u>4,258</u>	<u>495</u>
A33000	Cash from operating activities	199,259	105,387
A33100	Interests received	42	73

A33300	Interests paid	(4,100)	(2,519)
A33500	Income tax paid	(<u>33,113</u>)	(<u>42,688</u>)
AAAA	Net cash inflow from operating activities	<u>162,088</u>	<u>60,253</u>

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<u>C o d e</u>		<u>2020</u>	<u>2019</u>
	Cash flow from investing activities		
B00010	Acquisition of financial assets measured at fair value through other comprehensive income	(\$ 3,000)	\$ -
B01800	Acquisition of long-term equity investment accounted for using the equity method	(13,260)	-
B02700	Purchase of property, plant and equipment	(19,931)	(39,675)
B02800	Price for the disposal of property, plant and equipment	270	216
B03700	Increase in refundable deposits	(630)	(1,952)
B03800	Decrease in refundable deposits	240	-
B04500	Acquisition of intangible assets	(1,030)	(359)
B07100	Decrease (increase) in prepayments for business facilities	458	(3,248)
B07600	Dividends from subsidiaries	<u>88,109</u>	<u>-</u>
BBBB	Net cash flow from investing activities (outflow)	<u>51,226</u>	(<u>45,018</u>)
	Cash flow from financing activities		
C00100	Increase in short-term loans	433,000	210,000
C00200	Decrease in short-term loans	(525,000)	-
C04020	Repayment of lease principal	(10,492)	(6,652)
C04500	Issuance of cash dividends	(123,420)	(166,980)
C04900	Redemption cost for treasury shares	(<u>15,674</u>)	<u>-</u>
CCCC	Cash inflow (outflow) from financing activities	(<u>241,586</u>)	<u>36,368</u>
EEEE	Increase (decrease) in cash and cash equivalents	(28,272)	51,603
E00100	Beginning balance of cash and cash equivalents	<u>82,077</u>	<u>30,474</u>
E00200	Ending balance of cash and cash equivalents	<u>\$ 53,805</u>	<u>\$ 82,077</u>

The notes to the parent company only financial statements are part of the parent company only financial statements and should be read together.

Chairperson: HSIAO, CHUN-XIANG

Manager: CHEN, WEI-CHIH

Accounting Supervisor: CHEN, YU-CHUAN

Sanitar Co., Ltd.

Parent Company Only Financial Statement Notes

From Jan. 1 to Dec. 31, 2020 and from Jan. 1 to Dec. 31, 2019

(Unless otherwise specified, the basic unit for any amount shall be NT\$ 1,000.)

I. Company history

Sanitar Co., Ltd. was established in 1985 as a sanitary ware manufacturer and seller, and was reorganized and established on January 26, 1988 as San Yu Xing Ye Co, Ltd. And was renamed as Sanitar Co., Ltd. in 2003. The company is mainly engaged in the sales of bathtubs, toilets and other sanitary equipment, and water supply brassware.

In August 2011, the Company was approved by TPEX for trading on the stock exchange and was listed and traded on the Taiwan Stock Exchange on October 24, 2013.

The parent company only financial reports were expressed with the functional currency, New Taiwan Dollar, adopted by the Company.

II. The date when the financial reports were authorized for issuance and the process involved

The parent company only financial reports were approved by Board of Directors on March 9, 2021.

III. Applicability of new issuing & revised standards and interpretation

- (1) First-time application of IFRSs recognized and announced effectiveness by FSC.

Except for the following statements, the application of IFRSs that are recognized and announced as effective by FSC won't cause any major changes to the accounting policies of the Merged company:

Amendments to IAS 1 and IAS 8 "Definition of Materiality"

The amendment applied to the Company from January 1, 2020, switching to "it could reasonably be expected to influence users" as the materiality threshold and adjusting the disclosure in the Parent Company Only Financial Statements to remove immaterial information that could obscure material information.

(2) IFRSs recognized by the FSC applicable in 2021

<u>New/amended/revised standards and interpretations</u>	<u>Effective date published by IASB</u>
Amendments to IFRS 4 “Extension of Temporary Exemption from Applying IFRS 9	Effective from the date of publication
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase II”	Effective for annual reporting periods beginning on or after January 1, 2021
Amendments to IFRS 16 “Covid-19 Related Rent Concessions”	Effective for annual reporting periods beginning on or after June 1, 2020

Amendments to IFRS 16 “Covid-19 Related Rent Concessions”

The amendment to IFRS 16, "Lease reductions related to novel coronavirus," provides that if the Company enters into a lease negotiation with a lessor directly related to coronavirus, the Company may, at its option and when certain conditions are met, recognize a reduction in lease payments in profit or loss upon the occurrence of the reduction event or condition and reduce Lease liabilities accordingly. Lease liabilities are reduced accordingly.

The Company has not yet negotiated rent in connection with the foregoing in 2020 but will elect to apply the foregoing if such negotiation occurs in 2021.

(3) IFRSs announced by IASB but have not been approved as effective by the FSC

<u>New/amended/revised standards and interpretations</u>	<u>Effective date published by IASB (Note 1)</u>
“Annual Improvements for 2018-2020”	Jan. 1, 2022 (Note 2)
Amendments to IFRS 3 “Updating a Reference to the Conceptual Framework”	Jan. 1, 2022 (Note 3)
Amendments to IFRS 10/IAS 28 “Sales or Contributions of Assets Between an Investor and Its Associate/Joint Venture	TBD
IFRS 17 “Insurance Contracts”	Jan. 1, 2023
Amendments to IFRS 17	Jan. 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	Jan. 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	Jan. 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	Jan. 1, 2023 (Note 7)

Amendments to IAS 16 “Property, Plant and Equipment: Proceeds before Intended Use”	Jan. 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	Jan. 1, 2022 (Note 5)

Note 1: Other than being special specified, the above new issued/ amended/ revised standards or interpretation will be effective from the fiscal year after the dates for above.

Note 2: The amendments to IFRS 9 apply to swaps or changes in the terms of financial liabilities occurring in annual reporting periods beginning after Jan. 1, 2022; the amendments to IAS 41 “Agriculture” apply to fair value measurements in annual reporting period.

Note 3: The amendments apply to business combinations for which the acquisition date begins on or after Jan. 1, 2022 in the annual reporting period.

Note 4: The amendments apply to the plant, property and equipment that will be in the location and condition necessary to achieve management’s intended mode of operation beginning on or after Jan. 1, 2021.

Note 5: The amendments apply to contracts with all obligations outstanding as at Jan. 1, 2022.

Note 6: The amendments apply prospectively to annual reporting periods beginning on or after Jan. 1, 2023.

Note 7: The amendments apply to changes in accounting estimates and changes in accounting policies that occur in annual reporting periods beginning on or after Jan. 1, 2023.

1. Amendments to IFRS 10 and IAS 28 "Sale or contribution of assets between an investor and its associates or joint ventures

The amendment provides that if the Company sells or invests an asset to an associate (or joint venture), or if the Company loses control of a subsidiary but retains significant influence (or joint control) over the subsidiary, the Company recognizes all of the gains or losses resulting from such transactions if the

aforementioned asset or former subsidiary meets the definition of "business combination" for "business" under IFRS 3.

In addition, if the Company sells or invests in an asset to an Associate (or joint venture), or if the Company loses control of a subsidiary in a transaction with an Associate (or joint venture) but retains significant influence (or joint control) over the subsidiary, the Company recognizes the gain or loss resulting from the transaction only to the extent that it is not related to the investor's interest in the asset or former subsidiary within the meaning of IFRS 3, "Business". If the aforementioned asset or former subsidiary does not meet the definition of a "business" under IFRS 3, the Company recognizes the gain or loss from the transaction only to the extent of the investor's interest not related to the Associates (or joint venture), i.e., the Company's share of the gain or loss is eliminated.

2. Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments clarify that in determining whether a liability is classified as non-current, an assessment should be made as to whether the Company has the right to defer settlement at the end of the reporting period until at least 12 months after the reporting period. If the Company has such a right at the end of the reporting period, the liability is classified as non-current, regardless of whether the Company expects to exercise the right. The amendments also clarify that if required to comply with certain conditions in order to have the right to defer settlement of its liabilities, the Company must have followed the specified conditions as at the end of the reporting period, even if the lender tests whether the Company has adhered to those conditions at a later date.

The amendments provide that for the purpose of liability classification, the aforementioned settlement means the extinguishment of a liability resulting from the transfer of cash, other economic resources or equity instruments of the Company to

the counterparty. However, if the terms of a liability may, at the option of the counterparty, result in the settlement of an equity instrument of the Company, and if the option is separately recognized in equity in accordance with IAS 32 "Financial Instruments: Presentation," the foregoing terms do not affect the classification of the liability.

3. Amendments to IAS 1 "Disclosure of Accounting Policies"

The amendments specify that the Company shall determine the material accounting policy information to be disclosed based on the definition of material. Accounting policy information is material if it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

- (1) accounting policy information relating to immaterial transactions, other events or conditions is immaterial and that the Company is not required to disclose such information.
- (2) the Company may judge relevant accounting policy information to be material because of the nature of the transactions, other events or conditions, even if the sums are not material.
- (3) not all accounting policy information relating to significant transactions, other events or conditions is material.

In addition, the amendments cite examples of accounting policy information that may be material if it relates to significant transactions, other events or conditions and if:

- (1) the Company changes its accounting policy during the reporting period and the change results in a material change in financial statement information;
- (2) the Company selects its applicable accounting policy from the options permitted by the standard;
- (3) the Company, due to the absence of a specific standard, establishes an accounting policy pursuant to IAS 8

"Accounting Policies, Changes in Accounting Estimates and Errors";

- (4) the Company discloses a relevant accounting policy that requires the application of significant judgement or assumptions; or
- (5) involve complex accounting requirements and users of the financial statements rely on such information to understand those significant transactions, other events or conditions.

4. Amendments to IAS 8 “Definition of Accounting Estimates”

The amendments expressly state that the accounting estimates represent the monetary amounts in the financial statements that are subject to measurement uncertainty. In applying accounting policies, the Company may need to measure items in the financial statements using monetary amounts that are not directly observable but must be estimated, and therefore measurement techniques and inputs are used to create accounting estimates for this purpose. The effect of changes in measurement techniques or inputs on accounting estimates that are not corrections of prior period errors are accounted for as changes in accounting estimates.

In addition to the impact described above, the Company is continuing to evaluate the impact of amendments to other standards and interpretations on its financial position and financial performance as of the date of adoption and publication of these parent company only financial reports, which will be disclosed when the evaluation is completed.

IV. Summary and explanation of material accounting policies

(1) Compliance statement

The Parent Company Only Financial Statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(2) Basis of preparation

The Parent Company Only Financial Statements have been prepared on the historical cost basis, except for financial instruments measured at fair value.

Fair value measurement can be classified as level 1 to level 3 according to the observable degrees and importance of the relevant input values:

1. Level 1 input value: It refers to the quoted price at the active market on the same asset or liability available on the measurement day (unadjusted).

2. Level 2 input value: It refers to the direct (that is the price) or indirect (inferred from the price) observable input values on asset or liability other than the level 1 quoted price.
3. Level 3 input value: Unobservable input value of asset or liability.

In preparing the Parent Company Only Financial Statements, the Company uses the equity method of accounting for its investee subsidiaries. In order to make the profit or loss for the year, other comprehensive income or loss and equity in the Parent Company Only Financial Statements the same as the profit or loss for the year, other comprehensive income or loss and equity attributed to the owners of the Company in the Parent Company Only Financial Statements, certain accounting differences between the parent company only basis and the consolidated basis are adjusted for "investments accounted for using the equity method", "share of the profit or loss of subsidiaries and associates accounted for using the equity method" and "share of other comprehensive income or loss of subsidiaries, affiliates and joint ventures accounted for under the equity method" and related equity items.

- (3) Standard in determining whether the asset or liability are current or non-current

Current assets include:

1. assets held mainly for transaction purposes;
2. assets to be realized within 12 months of the asset balance sheet; and
3. cash and cash equivalents (but not including cash used to exchange or clear liability within 12 months of the asset balance sheet).

Current liabilities include:

1. liabilities held mainly for transaction purposes;
2. liabilities due for payment within 12 months after the balance sheet date (a liability with long-term refinancing done or payment agreement rearranged also belongs to the current liabilities); and
3. the business entity does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance

sheet date. However, where the terms of the liabilities may, at the option of the counterparty, lead to the settlement by issuing an instrument of equity, the classification will not be affected.

Assets or liabilities not classified within the above definitions will be classified as non-current assets and liabilities.

(4) Foreign Currency

The Company prepares financial statements in currencies other than the Company's functional currency (foreign currencies) and translates them into the functional currency at the exchange rate on the transaction date.

Monetary items denominated in foreign currencies are translated at the closing rate at each balance sheet date. Exchange differences arising from the settlement of monetary items or the translation of monetary items are recognized in profit or loss in the period in which they occur.

Non-monetary items measured at fair value in foreign currencies are translated at the exchange rates prevailing on the date the fair value was determined, and the resulting exchange differences are recognized in profit or loss for the current period, except for changes in fair value recognized in other comprehensive income, in which case the resulting exchange differences are recorded in other comprehensive income. The exchange differences arising from changes in fair value recognized in other comprehensive income are recorded as other comprehensive income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rates prevailing on the dates of transactions and are not retranslated.

(5) Inventory

Inventories refer to commodity inventories. Inventories are measured at the lower of cost or net realizable value. Comparisons between cost and net realizable value are made on an item-by-item basis, except for similar inventories. Net realizable value is the estimated selling price under normal circumstances less the estimated cost to complete the sale. The weighted-average method is used to calculate the cost of inventories.

(6) Investment accounted for using the equity method

The Company accounts the equity method for the investment of the subsidiaries.

A subsidiary is an individual unit under the control of the Company.

The original investment under the equity method is recognized by cost. The carrying amount obtained shall increase or decrease based on the distribution of the income of the subsidiary, and the shares and profits of other comprehensive income. The change of equity of the subsidiary is recognized based on the shareholding ratio.

When the change in the Company's ownership interest in a subsidiary does not result in a loss of control, it is treated as an equity transaction. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses in a subsidiary equals or exceeds its interest in the subsidiary (including the Carrying amount of the subsidiary under the equity method and other long-term interests that are substantially a component of the Company's net investment in the subsidiary), the loss continues to be recognized in proportion to the Company's equity in the subsidiary.

If the acquisition cost exceeds the identifiable asset and the fair value of net indebtedness of the subsidiary on the acquisition date, it shall be counted as the goodwill. The goodwill is included in the carrying amount of the investment and shall not be amortized. If the identifiable asset and the fair value of net indebtedness of the

subsidiary exceeds the acquisition cost on the acquisition date, it shall be listed as the current yield.

The overall assessment on the impairment of assets is based on the cash generating unit of the financial statement, and to compare the recoverable amount with the carrying amount. If the recoverable amount increases afterwards, the impairment loss shall be reversed as profit, only the carrying amount of the assets after reversal of impairment loss shall not be more than the carrying amount after subtracting the amortization when the impairment loss has not yet been recognized. The impairment loss attributing to the goodwill shall not be reversed subsequently.

When control over a subsidiary is lost, the Company measures its remaining investment in the former subsidiary at the Fair value at the date of loss of control. The difference between the Fair value of the remaining investment and any disposal price and the Carrying amount of the investment at the date of loss of control is recognized in profit or loss for the period. In addition, all Amounts recognized in Other comprehensive income related to the subsidiary are accounted for on the same basis as the Company's direct disposal of the related assets or liabilities.

The downstream transaction between the Company and the subsidiary shall be eliminated on the financial statement of the Parent Company when the income is not realized. The income of the upstream and side stream transactions between the Company and the subsidiary shall be recognized in the financial statement of the Parent Company within the realm that is unrelated to the subsidiary's interests from the Company.

(7) Property, plant and equipment

Property, plant, and equipment are recognized by cost, and then measured by cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment under construction are recognized at cost less accumulated impairment losses. Cost includes fees for professional services and borrowing costs eligible for capitalization.

These assets are classified into the appropriate categories of property, plant and equipment and depreciation commences when they are completed and in their intended state of use.

The property, plant, and equipment are depreciated separately for each major part by the straight-line basis method over the life of service. The Company reviews the estimated useful lives, residual values and depreciation methods at least at each year-end and defers the effect of changes in applicable accounting estimates.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss when property, plant, and equipment are derecognized.

(8) Intangible assets

1. Individual acquisition

Intangible assets with limited duration acquired separately were initially measured at cost and subsequently at cost less accumulated amortization and accumulated impairment losses. Intangible assets are amortized over their useful lives on a straight-line basis and the estimated useful lives, residual values and amortization method are reviewed at least at each year-end and the effect of changes in applicable accounting estimates is deferred. Intangible assets with indefinite useful lives are stated at cost less accumulated impairment losses.

2. Derecognition

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss of the year when intangible assets are derecognized.

(9) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment, right-of-use assets and intangible assets may have been impaired. If any sign of impairment exists, the recoverable amount of the asset is estimated. If it is impossible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the asset at the cash generating unit.

Intangible assets with indefinite useful lives and not yet available for use are tested for impairment at least annually and whenever there is an indication of impairment.

The recoverable amount is the higher fair value less selling cost and use value. If the recoverable amount of an individual asset or cash generating unit is less than its carrying amount, the carrying amount of the asset or cash generating unit shall be reduced to its recoverable amount, with the impairment loss recognized in profit or loss.

When the following recoverable amount increases, the carrying amount of the asset or cash generating unit increases to the amount that can be recovered after the revision. However, the increased carrying amount shall not exceed that (minus amortization or depreciation) determined by the asset or cash generating unit where the impairment loss was not recognized in the previous year. The reversal of impairment loss is recognized in profit or loss.

(10) Financial instruments

Financial assets and financial liabilities are recognized in the Parent Company Only Statement of Financial Position when the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, financial assets and financial liabilities that are not measured at fair value through profit or loss are measured at fair value plus transaction costs that are directly attributable to the acquisition or issuance of the financial assets or financial liabilities. Transaction costs directly attributable to the acquisition or issue of

financial assets or financial liabilities measured at fair value through profit or loss are recognized immediately in profit or loss.

1. Financial assets

The transaction practice of the financial assets adopts accounting recognition and de-recognition on the transaction day.

(1) Measurement types

The types of financial assets held by the Company are investment in equity instruments measured at FVTOCI and financial assets measured at amortized cost.

A. Financial assets measured at amortized cost

The Company's investments in financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met:

- a. they are held within an operating model whose objective is to hold the financial assets to collect the contractual cash flows; and
- b. the contractual terms give rise to cash flows at a specific date, which are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortized cost (including cash and cash equivalents, notes receivable, accounts receivable and other receivables measured at amortized cost) are measured at amortized cost using the effective interest method to determine the total carrying amount less any impairment loss after initial recognition, with any foreign currency exchange gain or loss recognized in profit or loss.

Interest income is calculated by multiplying the effective interest rate by the total carrying amount of the financial assets, except in the following two cases:

- a. Interest income on credit-impaired financial assets acquired or created is calculated by multiplying the credit-adjusted effective interest rate by the amortized cost of the financial assets.

b. Interest income is calculated by multiplying the effective interest rate by the amortized cost of the financial asset for financial assets that are not acquired or originated as credit-impaired but subsequently become credit-impaired.

Credit-impaired financial assets means that the issuer or the debtor has experienced significant financial difficulties, defaulted, there is a high probability that the debtor will file for bankruptcy or other financial reorganization or that an active market for financial assets will disappear due to financial difficulties.

Cash equivalents include time deposits that are highly liquid, readily convertible into known amounts of cash and subject to a low risk of changes in value within 3 months from the date of acquisition and are used to meet short-term cash commitments.

B. Investment in equity instruments measured at FVTOCI

At initial recognition, the Company has an irrevocable option to designate investments in equity instruments that are not held for trading and for which there is contingent consideration recognized by the acquirer of the business combination to be measured at fair value through other comprehensive income.

Investments in equity instruments measured at fair value through other comprehensive income are measured at fair value, with subsequent changes in fair value reported in other comprehensive income and accumulated in other equity. On disposal of investments, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

Dividends on investments in equity instruments measured at fair value through other comprehensive income are recognized in profit or loss when the right to receive payments from the Company is established, unless

it is clear that the dividend represents a partial recovery of the cost of the investment.

(2) The impairment of financial assets

The Company assesses the impairment losses of financial assets (including notes receivable, accounts receivable and other receivables) measured at amortized cost at each balance sheet date based on expected credit losses.

Accounts receivable are recognized as an allowance for loss based on expected credit losses during the period of duration. Other financial assets are first evaluated to determine whether there is a significant increase in credit risk since initial recognition. If not, they are recognized as an allowance for loss based on expected credit losses over 12 months, and if so, based on expected credit losses over the duration period.

Expected credit losses are the average credit losses weighted by the risk of default. The 12-month expected credit loss represents the expected credit loss arising from default events on a financial instrument that are possible within the 12 months after the reporting date, while the expected credit loss over the life of the instrument represents the expected credit loss resulting from all default events on a financial instrument that are possible over the expected life.

For the purpose of internal credit risk management, the Company determines, without regard to its collateral holdings, that a default on financial assets has occurred in the following circumstances:

- A. There is internal or external information that indicates the debtor is unlikely to be able to pay the debt.
- B. If the debt is past due for more than a certain number of days, unless there is reasonable and supportable information indicating that a delayed default basis is more appropriate.

The impairment loss on all financial assets is reduced by the carrying amount of the allowance account and does not reduce the carrying amount of the financial assets.

(3) Derecognition of financial assets

The Company derecognizes financial assets only when the contractual rights to the cash flows from the financial assets have lapsed or when the financial assets have been transferred and substantially all the risks and rewards of ownership of the assets have been transferred to other enterprises.

When financial assets are derecognized in their entirety at amortized cost, the difference between the carrying amount and the consideration received is recognized in profit or loss.

When investments in equity instruments measured at fair value through other comprehensive income are derecognized as a whole, the cumulative gain or loss is transferred directly to retained earnings and is not reclassified to profit or loss.

2. Financial liability

(1) Subsequent measurement

All of the financial liability should be measured at the amortized costs through effective interest rate.

(2) Derecognition of financial liability

When derecognizing the financial liability, the difference between its book value amount and the consideration (including any non-cash asset transferred or the liability borne) paid will be recognized as income.

(11) Income recognition

The Company allocates the transaction price to each performance obligation after the performance obligation is identified in the customer contract and recognizes revenue when each performance obligation is satisfied.

If the interval between the transfer of merchandises or services and the receipt of consideration is less than one year, no adjustment is made to the transaction price for the significant financing component of the contract.

Sales revenue

Sales revenue is derived from the sale of porcelain toilets, faucets, and other sanitary equipment products. The Company recognizes revenue and accounts receivable at the point of shipment because the customer has the right to set the price and use the products and has the primary responsibility for re-selling the products and bears the risk of obsolescence of the products.

(12) Lease

The Company assesses whether a contract is (or contains) a lease at the contract inception date.

1. The Company as lessor

If the lease clauses transfer nearly all risks and Compensation associated with the assets to the lessee, the lease shall be classified as finance lease. All other leases shall be classified as business lease.

Under operating leases, lease payments, net of lease incentives, are recognized as income on a straight-line basis over the term of the relevant lease. The original direct costs incurred in acquiring an operating lease are added to the carrying amount of the subject asset and recognized as an expense on a straight-line basis over the lease term.

2. The Company as lessee

Right-of-use assets and lease liabilities are recognized at the inception date of the lease, except for leases of low-value subject assets to which a recognition exemption applies and short-term leases where lease payments are recognized as an expense on a straight-line basis over the lease term.

Right-of-use assets are measured initially at cost (comprising the original measurement of the lease liability, lease payments made prior to the commencement date of the lease less lease incentives received, original direct cost and estimated cost to reinstate the subject asset) and subsequently at cost less accumulated depreciation and accumulated impairment losses, with adjustments for remeasurement of the lease liability. Right-of-use assets are presented separately on Parent Company Only Statement of Financial Position.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life or the end of the lease term.

Lease obligations are measured initially at the present value of the lease payments (comprising fixed payments, effective fixed payments, variable lease payments dependent on indices or rates). If the implied interest rate of the lease is readily determinable, the lease payments are discounted using that rate. If the rate is not

readily determinable, the lessee's incremental borrowing rate is used.

Subsequently, lease liabilities are measured on an amortized cost basis using the effective interest method and interest expense is amortized over the lease term. If there is a change in future lease payments as a result of a change in the lease term, or in the index or rate used to determine the lease payments, the Company remeasures the lease liability and adjusts the right-of-use asset accordingly, except that if the carrying amount of the right-of-use asset is reduced to zero, the remaining remeasurement amount is recognized in profit or loss. Lease liabilities are presented separately on the Parent Company Only Statement of Financial Position.

Lease agreements that do not depend on changes in indices or rates are recognized as expenses in the period in which they are incurred.

(13) Income tax

Income tax expense is the sum of current income taxes and deferred income taxes.

1. Current income tax

The additional income tax on the undistributed surplus calculated in accordance with the Income Tax Act shall be included in the income tax expense for the year of resolution of the shareholders' meeting.

The adjustment of income tax payable in the previous year shall be included in the current income tax.

2. Deferred income tax

Deferred income tax is calculated based on the temporary differences between the carrying amount of assets and liabilities on the books and the basis for the calculation of taxable income.

Deferred tax liabilities are generally recognized for all temporary differences in taxable income, while deferred tax assets are recognized when there is a high likelihood that the taxable

income will be used as a tax deduction for deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investee subsidiaries, except where the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for deductible temporary differences associated with such investments only to the extent that it is probable that sufficient taxable income will be available to allow the temporary differences to be realized and to the extent that reversal is expected in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced for those where it is no longer probable that there will be sufficient taxable income to allow all or part of the assets to be recovered. Deferred tax assets not previously recognized as such are also reviewed at each balance sheet date and the carrying amount is increased for those where it is probable that taxable income will be available to recover all or part of the assets.

Deferred tax assets and liabilities are measured by the tax rate of the expected liabilities settlement or assets realization in the current period, according to the tax rate and the tax law which have been legalized or substantively legalized on the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences of the way in which the Company is expected to recover or pay off the carrying amount of its assets and liabilities on the balance sheet date.

3. Current and deferred tax

The current and deferred tax are recognized in profit or loss, provided that the current and deferred tax in relation to the items recognized in other comprehensive income or directly included in equity are recognized in other comprehensive income or directly included in equity, respectively.

V. Primary sources of uncertainty in major accounting judgments, estimates, and assumptions

When the Company adopts an accounting policy, management must make relevant judgments, estimates, and assumptions of relevant information that is difficult to obtain from other sources based on historical experience and other relevant factors.

The Company has included the economic impact of the COVID-19 outbreak in the consideration of significant accounting estimates and the management will review the estimates and underlying assumptions on an ongoing basis. If an amendment to an estimate affects only the current period, the amendment is recognized in the period in which it is made. If an amendment to an accounting estimate affects both the current and future periods, the amendment is recognized in both the current and future periods.

VI. Cash and cash equivalents

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Cash on hand and working capital	\$ 242	\$ 175
Checks and demand deposits	<u>53,563</u>	<u>81,902</u>
	<u>\$ 53,805</u>	<u>\$ 82,077</u>

VII. Financial assets measured at fair value through other comprehensive income - non-current

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Investment in equity instruments</u> <u>measured at FVTOCI</u>		
Stock of unlisted companies		
Amsalp Biomedical Corporation	<u>\$ 262</u>	<u>\$ -</u>

The Company invests in the above-mentioned items for medium- to long-term strategic purposes and expects to make profits from these investments over the long term. The Company's management believes that it is inconsistent with the aforementioned long-term investment plan to include short-term fluctuations in fair value of these investments in profit or loss, and therefore has chosen to designate these investments as fair value through Other comprehensive income.

The Investment in equity instruments measured at FVTOCI were not being pledged.

VIII. Notes receivable and accounts receivable

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Notes receivable</u>		
Generated from operating activities		
Non-related parties	<u>\$ 13,804</u>	<u>\$ 14,519</u>
<u>Accounts receivable</u>		
Non-related parties	\$ 167,803	\$ 144,175
Minus: Allowance for bad debts	(<u>4,185</u>)	(<u>1,793</u>)
	<u>\$ 163,618</u>	<u>\$ 142,382</u>
Related parties	<u>\$ 8,373</u>	<u>\$ 3,419</u>

The average credit period for merchandise sales ranges is from 30 to 90 days, and no interest is charged on Accounts receivable. To mitigate credit risk, the management of the Company assigns a dedicated team to ensure that appropriate actions are taken to collect overdue receivables. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses are recorded for uncollectible receivables. Accordingly, the Company's management believes that the Company's credit risk has been significantly reduced.

The lifetime expected credit losses are calculated using an provision matrix, which takes into account the customer's past default history and current financial position, the economic situation of the industry, as well as the GDP forecast and industry outlook, and classifies customers into different risk groups and recognizes an allowance for losses based on the expected loss rate of each group.

If there is evidence that the counterparty is in serious financial difficulty and the Company cannot reasonably expect to recover the amount, such as when the counterparty is in liquidation, the Company will directly write off the related accounts receivable, but will continue to conduct recourse actions and recognize the amount recovered in profit or loss as a result of the recourse.

The Company's allowance for losses on accounts receivable and overdue receivables based on the provision matrix is summarized as follows:

Dec. 31, 2020

	Within a normal credit period	Overdue 1-180 days	Overdue Over 180 days	Total
Total carrying amount	\$ 172,891	\$ 1,877	\$ 1,408	\$ 176,176
Allowance for loss (Expected credit loss in the duration)	(<u>1,852</u>)	(<u>1,111</u>)	(<u>1,222</u>)	(<u>4,185</u>)
Amortized cost	<u>\$ 171,039</u>	<u>\$ 766</u>	<u>\$ 186</u>	<u>\$ 171,991</u>

Dec. 31, 2019

	Within a normal credit period	Overdue 1-180 days	Overdue Over 180 days	Total
Total carrying amount	\$ 146,677	\$ 587	\$ 330	\$ 147,594
Allowance for loss (Expected credit loss in the duration)	(<u>1,231</u>)	(<u>297</u>)	(<u>265</u>)	(<u>1,793</u>)
Amortized cost	<u>\$ 145,446</u>	<u>\$ 290</u>	<u>\$ 65</u>	<u>\$ 145,801</u>

Information on the changes in allowance for losses on notes receivable, accounts receivable and overdue receivables is as follows:

	2020		
	Notes receivable	Accounts receivable	Overdue receivables
Beginning balance	\$ -	\$ 1,793	\$ 1,101
Plus: listed impairment losses in the period	-	2,392	-
Minus: Reversal of impairment losses in the current period	<u>-</u>	<u>-</u>	(<u>122</u>)
Ending balance	<u>\$ -</u>	<u>\$ 4,185</u>	<u>\$ 979</u>

	2019		
	Notes receivable	Accounts receivable	Overdue receivables
Beginning balance	\$ -	\$ 303	\$ 797
Plus: listed impairment losses in the period	<u>-</u>	<u>1,490</u>	<u>304</u>
Ending balance	<u>\$ -</u>	<u>\$ 1,793</u>	<u>\$ 1,101</u>

The Company's notes receivable, accounts receivable and overdue receivables are not pledged.

IX. Inventory

	Dec. 31, 2020	Dec. 31, 2019
Merchandise inventory	<u>\$ 164,705</u>	<u>\$ 142,131</u>

The allowance for loss for market price decline and obsolete inventories was \$16,604 thousands and \$13,818 thousands as of December 31, 2020 and 2019, respectively.

Cost of sales related to inventories for fiscal 2020 and 2019 are as follows:

	2020	2019
Loss from market price decline and obsolete and slow-moving inventory (gain from price recovery)	\$ 2,786	(\$ 2,500)
Inventory short (over)	106	(38)
Loss on inventory obsolescence	421	7,910
Income from the sale of leftover materials	(11)	(115)
	<u>\$ 3,302</u>	<u>\$ 5,257</u>

The increase in the net realizable value of the Company's inventories in 2019 was due to an increase in the selling price of inventories.

X. Investment accounted for using the equity method

	Dec. 31, 2020	Dec. 31, 2019
Investee subsidiaries		
Vietnam Caesar Sanitary Wares Joint Stock Company (VIETNAM CAESAR SANITARY WARES JOINT STOCK COMPANY)	\$ 1,225,499	\$ 1,340,484
Kai-Sheng Sanitary Wares Co., Ltd.	<u>13,221</u>	<u>-</u>
	<u>\$ 1,238,720</u>	<u>\$ 1,340,484</u>

	Percentage of owner's equity and voting rights	Percentage of owner's equity and voting rights
Name of Subsidiary	Dec. 31, 2020	Dec. 31, 2019
Vietnam Caesar Sanitary Wares Joint Stock Company (VIETNAM CAESAR SANITARY WARES JOINT STOCK COMPANY)	99.9993%	99.9993%
Kai-Sheng Sanitary Wares Co., Ltd.	51%	-

On November 4, 2020, the Board of Directors resolved to establish Kai-Sheng Sanitary Wares Co., Ltd. as a distribution point in Taoyuan with a total capital of NT\$50,000 thousands, divided into 5,000,000 shares at NT\$10 per share. The remaining 49% of the shares are held by non-Related parties. After considering the voting rights held by other shareholders, the Company has the right to dominate Kai-Sheng Sanitary Wares. After considering the voting rights held by the other shareholders,

the Company determined that it has the ability to direct the relevant activities of Kai-Sheng Sanitary Wares Co. Since Kai-Sheng Sanitary Wares Co., Ltd. was established in December 2020 and does not have significant operating activities, the financial statements prepared by Kai-Sheng Sanitary Wares Co., Ltd. were used to recognize the share of profit or loss of the subsidiary under the equity method and the share of other comprehensive income. The financial statements of Kai-Sheng Sanitary Wares Co.

Proportion in 2020 and 2019 were recognized as the share of profit or loss of subsidiaries using the equity method and the share of other comprehensive income based on the audited financial statements of Vietnam Caesar Sanitary Wares Joint Stock Company for the same period.

XI. Property, plant and equipment

	Self-owned land	Buildings	Transportation equipment	Other equipment	Leasehold improvement	Construction in progress	Total
<u>Cost</u>							
Balance as of Jan. 1, 2020	\$ 243,280	\$ 253,536	\$ 28,497	\$ 9,058	\$ 15,303	10,572	\$ 560,246
Addition	-	801	6,744	-	5,750	6,636	19,931
Disposal	-	-	(235)	(137)	(380)	-	(752)
Reclassification	-	(200)	-	-	10,572	(10,572)	(200)
Balance as of Dec. 31, 2020	<u>\$ 243,280</u>	<u>\$ 254,137</u>	<u>\$ 35,006</u>	<u>\$ 8,921</u>	<u>\$ 31,245</u>	<u>\$ 6,636</u>	<u>\$ 579,225</u>
<u>accumulated depreciation</u>							
Balance as of Jan. 1, 2020	\$ -	\$ 30,472	\$ 18,860	\$ 3,626	\$ 3,953	\$ -	\$ 56,911
Depreciation expense	-	9,120	4,040	2,159	6,670	-	21,989
Disposal	-	-	(6)	(137)	(380)	-	(523)
Balance as of Dec. 31, 2020	<u>\$ -</u>	<u>\$ 39,592</u>	<u>\$ 22,894</u>	<u>\$ 5,648</u>	<u>\$ 10,243</u>	<u>\$ -</u>	<u>\$ 78,377</u>
Net worth as of Dec. 31, 2020	<u>\$ 243,280</u>	<u>\$ 214,545</u>	<u>\$ 12,112</u>	<u>\$ 3,273</u>	<u>\$ 21,002</u>	<u>\$ 6,636</u>	<u>\$ 500,848</u>
<u>Cost</u>							
Balance as of Jan. 1, 2019	\$ 243,280	\$ 231,694	\$ 22,396	\$ 3,557	\$ 14,003	\$ -	\$ 514,930
Addition	-	9,017	2,506	4,376	1,300	22,476	39,675
Disposal	-	-	(443)	-	-	-	(443)
Reclassification	-	12,825	4,038	1,125	-	(11,904)	6,084
Balance as of Dec. 31, 2019	<u>\$ 243,280</u>	<u>\$ 253,536</u>	<u>\$ 28,497</u>	<u>\$ 9,058</u>	<u>\$ 15,303</u>	<u>\$ 10,572</u>	<u>\$ 560,246</u>
<u>accumulated depreciation</u>							
Balance as of Jan. 1, 2019	\$ -	\$ 23,091	\$ 15,330	\$ 1,711	\$ 984	\$ -	\$ 41,116
Depreciation expense	-	7,381	3,903	1,915	2,969	-	16,168
Disposal	-	-	(373)	-	-	-	(373)
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 30,472</u>	<u>\$ 18,860</u>	<u>\$ 3,626</u>	<u>\$ 3,953</u>	<u>\$ -</u>	<u>\$ 56,911</u>
Net worth as of Dec. 31, 2019	<u>\$ 243,280</u>	<u>\$ 223,064</u>	<u>\$ 9,637</u>	<u>\$ 5,432</u>	<u>\$ 11,350</u>	<u>\$ 10,572</u>	<u>\$ 503,335</u>

There is no indication of impairment of property, plant and equipment listed above in fiscal 2020 and 2019 as assessed by management.

Depreciation expense is calculated through straight-line basis according to the following years:

Buildings	
Main building of the office	55 years
Other	3 to 50 years
Transportation equipment	3 to 5 years
Office equipment	3 to 5 years
Leasehold improvement	5 years

Please refer to Note 26 for the amount of property, plant and equipment pledged as collaterals for loans.

The Company leases the roof of its factory in Zaoqiao Township for the installation and operation of a solar photovoltaic system to generate electricity for sale to Taiwan Power Company. The lessee does not have a preferential right to purchase the asset at the end of the lease period. The lease period is from the commercial operation date of the solar power system on March 14, 2019 to the end of 20 years. At the end of the lease term, the lessee does not have a preferential right to acquire the asset.

The total future lease payments to be received under operating leases are as follows:

	2020	2019
The 1st year	\$ 530	\$ 530
The 2nd year	530	530
The 3rd year	530	530
The 4th year	530	530
The 5th year	530	530
Over 5 years	<u>6,890</u>	<u>7,420</u>
	<u>\$ 9,540</u>	<u>\$ 10,070</u>

XII. Lease agreement

(1) Right-of-use assets—Buildings

	2020	2019
<u>Cost</u>		
Beginning balance	\$ 41,243	\$ -
Effect of the first-time application of IFRS16	-	41,318
Addition	18,700	-
Disposal	(<u>9,842</u>)	(<u>75</u>)
Ending balance	<u>\$ 50,101</u>	<u>\$ 41,243</u>
<u>accumulated depreciation</u>		
Beginning balance	\$ 6,236	\$ -
Depreciation expense	10,816	6,311
Disposal	(<u>2,587</u>)	(<u>75</u>)
Ending balance	<u>\$ 14,465</u>	<u>\$ 6,236</u>
Net worth at the end of the current period	<u>\$ 35,636</u>	<u>\$ 35,007</u>

(2) Lease liabilities

	Dec. 31, 2020	Dec. 31, 2019
Carrying amount of lease liabilities		
Current	<u>\$ 10,095</u>	<u>\$ 8,282</u>
Non-current	<u>\$ 25,800</u>	<u>\$ 26,763</u>

The discount rate range for Lease liabilities is as follows:

	2020	2019
Buildings	1.66%~1.89%	1.79%~1.89%

(3) Other leasing information

	<u>2020</u>	<u>2019</u>
Lease expenses of low-value assets	\$ <u>337</u>	\$ <u>754</u>
Changed lease payment expenses not considered in the measurement of lease liabilities	\$ <u>-</u>	\$ <u>3</u>
Total cash outflow from lease	(\$ <u>10,829</u>)	(\$ <u>7,409</u>)

The Company has elected to apply the exemption from recognition to leases of Office equipment that qualify as short-term leases and leases of Office equipment that qualify as low-value asset leases and not to recognize the related right-of-use assets and lease liabilities for these leases.

XIII. Intangible assets

	<u>Trademark rights</u>	<u>Cost of computer software</u>	<u>Total</u>
<u>Cost</u>			
Balance as of Jan. 1, 2020	\$ 8,572	\$ 2,596	\$ 11,168
Individual acquisition	-	1,030	1,030
Disposal	(<u>8,572</u>)	(<u>2,200</u>)	(<u>10,772</u>)
Balance as of Dec. 31, 2020	\$ <u>-</u>	\$ <u>1,426</u>	\$ <u>1,426</u>
<u>Accumulated amortization</u>			
Balance as of Jan. 1, 2020	\$ 8,572	\$ 2,335	\$ 10,907
Amortization expense	-	282	282
Disposal	(<u>8,572</u>)	(<u>2,200</u>)	(<u>10,772</u>)
Balance as of Dec. 31, 2020	\$ <u>-</u>	\$ <u>417</u>	\$ <u>417</u>
Net worth as of Dec. 31, 2020	\$ <u>-</u>	\$ <u>1,009</u>	\$ <u>1,009</u>
<u>Cost</u>			
Balance as of Jan. 1, 2019	\$ 8,572	\$ 2,332	\$ 10,904
Individual acquisition	-	1,074	1,074
Disposal	-	(<u>810</u>)	(<u>810</u>)
Balance as of Dec. 31, 2019	\$ <u>8,572</u>	\$ <u>2,596</u>	\$ <u>11,168</u>
<u>Accumulated amortization</u>			
Balance as of Jan. 1, 2019	\$ 8,572	\$ 2,266	\$ 10,838
Amortization expense	-	879	879
Disposal	-	(<u>810</u>)	(<u>810</u>)
Balance as of Dec. 31, 2019	\$ <u>8,572</u>	\$ <u>2,335</u>	\$ <u>10,907</u>
Net worth as of Dec. 31, 2019	\$ <u>-</u>	\$ <u>261</u>	\$ <u>261</u>

Amortization expense is accrued on a straight-line basis over the following number of durable years.

Trademark rights	20 years
Computer software	1-3 years

XIV. Other assets

	Dec. 31, 2020	Dec. 31, 2019
<u>Current</u>		
Input tax	\$ 1,966	\$ 505
Other	<u>194</u>	<u>58</u>
	<u>\$ 2,160</u>	<u>\$ 563</u>
<u>Non-current</u>		
Overdue receivables	\$ 979	\$ 1,101
Minus: allowance for loss	<u>(979)</u>	<u>(1,101)</u>
	<u>\$ -</u>	<u>\$ -</u>

XV. Short-term loans

	Dec. 31, 2020	Dec. 31, 2019
<u>Secured loan</u> (Note XXVI)		
Bank borrowings	<u>\$ 233,000</u>	<u>\$ 325,000</u>

The interest rates on revolving bank loans ranged from 0.95% to 1.10% and 1.07% to 1.20% in 2020 and Dec. 31, 2019, respectively.

XVI. Accounts payable

	Dec. 31, 2020	Dec. 31, 2019
Non-related parties	<u>\$ 33,542</u>	<u>\$ 39,931</u>
Related parties	<u>\$ -</u>	<u>\$ 1</u>

XVII. Other payables

	Dec. 31, 2020	Dec. 31, 2019
Salaries and bonuses payable	\$ 27,339	\$ 21,636
Compensation of employees payable	8,749	7,303
Compensation of directors and supervisors payable	5,833	4,869
Freight charges payable	2,364	2,003
Advertising expenses payable	3,092	3,528
Other	<u>14,509</u>	<u>16,614</u>
	<u>\$ 61,886</u>	<u>\$ 55,953</u>

XVIII. Equity

(1) Share capital for common stock

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Authorized shares (1,000 shares)	<u>100,000</u>	<u>100,000</u>
Authorized share capital	<u>\$ 1,000,000</u>	<u>\$ 1,000,000</u>
Number of outstanding shares that had been paid (1,000 shares)	<u>72,600</u>	<u>72,600</u>
Share capital of issued shares	<u>\$ 726,000</u>	<u>\$ 726,000</u>

The issued common stock has a par value of \$10 per share and each share is entitled to one vote and the right to receive dividends.

(2) Additional paid-in capital

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Can be used to make up losses, to issue cash dividends or to add into share capital</u> (Note)		
Share premium	\$ 254,700	\$ 254,700
Premium on capital stock due to merger	9,481	9,481
<u>Cannot be used for any purpose</u>		
Cost of employee stock options	<u>13,271</u>	<u>13,271</u>
	<u>\$ 277,452</u>	<u>\$ 277,452</u>

Note: Such additional paid-in capital may be used to cover losses or, when the company has no losses, to distribute cash or to capitalize share capital, provided that the capitalization of share capital is limited to a certain percentage of paid-in share capital each year.

(3) Retained earnings and dividend policy

In accordance with the Company's policy on the distribution of earnings, the Company shall first make up for any after-tax net income in its annual budget (including adjustment of the Amount of unappropriated retained earnings) and set aside 10% of the total legal reserve in accordance with the law; however, except when the legal reserve has reached the Company's total paid-in capital. The Company shall not set aside 10% of the accumulated losses (including adjustment of the amount of unappropriated retained earnings) as legal reserve, except when the legal reserve has reached the Company's paid-in capital. The Board of Directors shall prepare a proposal for the

distribution of the remaining earnings, together with the Unappropriated retained earnings (including adjustments to the Amount of unappropriated retained earnings) at the beginning of the period. The Board of Directors shall prepare a proposal for the distribution of earnings and submit it to the shareholders' meeting for resolution on the distribution of dividends to shareholders.

The Company's dividend policy is in line with its current and future development plans, taking into account the investment environment, capital requirements, domestic and international competition, and the interests of shareholders. Dividends may be distributed to shareholders in cash or in stock, with cash dividends not less than 10% of total stock dividends, except when stock dividends are less than \$1 per share.

The legal reserve shall be set aside until the balance reaches the total paid-up capital of the Company. The statutory reserve may be applied to make up losses. If the Company is not in deficit, the excess of the legal reserve over 25% of the total paid-in capital may be distributed in cash in addition to capitalization.

The Company has appropriated and reversed the special reserve in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, Jin-Guan-Zheng-Fa-Zi Letter No. 1010047490, Jin-Guan-Zheng-Fa-Zi Letter No. 1030006415 and the “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs.”

The Company held its regular shareholders' meetings on May 28, 2020 and June 20, 2019, and resolved to approve the earnings distribution for fiscal 2019 and 2018, respectively, as follows:

	<u>2019</u>	<u>2018</u>
Legal reserve	<u>\$ 17,985</u>	<u>\$ 25,401</u>
Special reserve	<u>\$ 19,355</u>	(<u>\$ 4,220</u>)
Cash dividends	<u>\$123,420</u>	<u>\$166,980</u>
Cash dividends per share (NT\$)	\$ 1.71	\$ 2.30

The Company proposed the following distribution of earnings for fiscal 2020 at the Board of Directors' meeting on March 9, 2021:

<u>2020</u>

Legal reserve	<u>\$ 22,009</u>
Special reserve	<u>\$ 71,429</u>
Cash dividends	<u>\$144,152</u>
Cash dividends per share (NT\$)	\$ 2.00

The distribution of earnings for fiscal 2020 is subject to the resolution of the shareholders' meeting scheduled to be held on May 27, 2021.

(4) Special reserve

	<u>2020</u>	<u>2019</u>
Beginning balance	\$ 146,675	\$ 150,895
Reversal of special reserve	-	(4,220)
Provision of special reserve		
Allowances for deductions in other equity interest items	<u>19,355</u>	<u>-</u>
Ending balance	<u>\$ 166,030</u>	<u>\$ 146,675</u>

(5) Other equity interest items

1. Exchange differences on translation of foreign financial statements

	2020	2019
Beginning balance	(\$ 166,030)	(\$ 146,675)
Share of the translation differences of the subsidiaries, associates and joint ventures accounted for using equity method	(85,864)	(24,194)
Relevant income tax	17,173	4,839
Ending balance	<u>(\$ 234,721)</u>	<u>(\$ 166,030)</u>

2. Unrealized gains or losses on financial assets measured at fair value through other comprehensive income

	2020	2019
Beginning balance	\$ -	\$ -
Generated in the current period		
Unrealized gains or losses		
Equity instrument	(2,738)	-
Ending balance	<u>(\$ 2,738)</u>	<u>\$ -</u>

(6) Treasury shares

Reasons for the retirement of shares	Transfer of shares to employees (1,000 shares)
Number of shares as of Jan. 1, 2020	-
Increase in the current period	524
Number of shares as of Dec. 31, 2020	<u>524</u>

Treasury shares held by the Company are not pledged under the Securities and Exchange Act and are not entitled to dividend distribution or voting rights.

XIX. Income

	2020	2019
Income from customer contracts		
Porcelain	\$ 709,649	\$ 643,288
Water use equipment	232,305	196,326
Automated equipment	204,018	162,885
Bathtubs	27,849	33,912
Other	297,575	263,772
	<u>\$ 1,471,396</u>	<u>\$ 1,300,183</u>

Contract balance

	Dec. 31, 2020	Dec. 31, 2019
Accounts receivable	<u>\$ 171,991</u>	<u>\$ 145,801</u>
Contract liabilities		
Payment for goods collected in advance	<u>\$ 2,492</u>	<u>\$ 826</u>

Re-recognized income from Contract from customer contracts in 2020 and 2019 are \$ 0 thousand.

XX. Net income from continuing operations

Net income from continuing operations includes the following items:

(1) Other income and expenses, net

	2020	2019
Compensation for losses	(\$ 966)	(\$ 147)
Net income from the disposal and obsolescence of property, plant and equipment	41	146
Profit from lease modification	<u>103</u>	<u>-</u>
	<u>(\$ 822)</u>	<u>(\$ 1)</u>

(2) Depreciation, amortization and employee benefit expenses

	2020			2019		
	Belonging to operating costs	Belonging to operating expenses	Total	Belonging to operating costs	Belonging to operating expenses	Total
Employee benefit expenses						
Salary expenses	\$ 34,037	\$ 87,606	\$ 121,643	\$ 31,698	\$ 67,549	\$ 99,247
Premium for the insurance of employees	3,001	7,321	10,322	2,786	6,199	8,985
Benefits after retirement						
Defined contribution plan	1,590	3,732	5,322	1,509	2,989	4,498
Compensation of directors	-	9,094	9,094	-	8,104	8,104
Other employee benefit expenses	<u>987</u>	<u>3,543</u>	<u>4,530</u>	<u>977</u>	<u>2,891</u>	<u>3,868</u>
Total of employee benefit expenses	<u>\$ 39,615</u>	<u>\$ 111,296</u>	<u>\$ 150,911</u>	<u>\$ 36,970</u>	<u>\$ 87,732</u>	<u>\$ 124,702</u>
Depreciation expense						
Property, plant and equipment	\$ -	\$ 21,989	\$ 21,989	\$ -	\$ 16,168	\$ 16,168
Right-of-use assets	<u>-</u>	<u>10,816</u>	<u>10,816</u>	<u>-</u>	<u>6,311</u>	<u>6,311</u>
	<u>\$ -</u>	<u>\$ 32,805</u>	<u>\$ 32,805</u>	<u>\$ -</u>	<u>\$ 22,479</u>	<u>\$ 22,479</u>
Amortization expense	<u>\$ -</u>	<u>\$ 282</u>	<u>\$ 282</u>	<u>\$ -</u>	<u>\$ 879</u>	<u>\$ 879</u>

The respective numbers of employees of the Company calculated until December 31 of 2020 and 2019 are 146 and 131, while the number of directors who do not serve as employees is 6. The average fees of employee benefit of this year and last year respectively are \$1,013 thousands and \$933 thousands. The average compensations

respectively are \$869 thousands and \$794 thousands, and the average adjustment of compensation is 9%. The supervisors' remuneration for the current year and the previous year were \$2,679,882 and \$2,380,682, respectively.

Compensation Policy

1. Directors' and supervisors' remuneration

The Company may pay remuneration to the directors and supervisors for their duties, regardless of operating profit or loss, in accordance with the Company's Articles of Incorporation, which authorize the Board of Directors to determine the value of their participation in and contribution to the Company's operations, taking into account the market rate in the industry. In addition, if the Company has Net profit before tax, the remuneration shall be distributed in accordance with the Company's Articles of Incorporation.

2. Managers

The managers are appointed and compensated in accordance with the Company's Articles of Incorporation and are subject to the Board of Directors' approval. The standards of compensation for managers are based on their personal performance, contribution to work, annual operating results, hard work, and cooperation with company policies, as well as on market standards in the industry.

3. Employees

Employees are paid monthly in the spirit of equal pay for equal work according to their academic experience and job level, and performance bonuses are paid according to the company's monthly operating performance. If the company has Net profit before tax, the compensation will be distributed according to the company's articles of incorporation.

(3) Compensation to employees and compensation to directors and supervisors

In compliance with the Articles of Incorporation, the Company contributes 2% to 5% of the pre-tax benefit before compensation to

employees and directors and supervisors as compensation to employees and no more than 2% as compensation to directors and supervisors for the year.

The compensation to employees and compensation to directors and supervisors for the years 2020 and 2019 were resolved by the Board of Directors on March 9, 2021 and February 27, 2020, respectively, as follows:

Estimated listing ratio

	<u>2020</u>	<u>2019</u>
Compensation of employees	3%	3%
Compensation of directors and supervisors	2%	2%

Amount

	<u>2020</u>	<u>2019</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 8,749	\$ 7,303
Compensation of directors and supervisors	5,833	4,869

If there is any change in the annual Parent Company Only Financial Statements after the date of adoption, the change in accounting estimate will be treated as an adjustment in the following year.

There was no difference between the actual amount of compensation to employees and compensation to directors and supervisors for fiscal 2019 and 2018 and the amount recognized in the 2019 and 2018 Parent Company Only Financial Statements.

For information on the compensation to employees and compensation to directors and supervisors resolved by the Board of Directors of the Company, please visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

XXI. Income tax of continuing operations

(1) Income tax recognized in profit or losses

Main components of income tax expenses recognized in profit or losses:

	<u>2020</u>	<u>2019</u>
Current income tax		
Generated in the fiscal year	\$ 62,180	\$ 31,975
Surtax on unappropriated retained earnings	954	3,292
Adjustments for the prior year	(<u>950</u>)	<u>11</u>
	62,184	35,278
Deferred income tax		
Generated in the fiscal year	(6,703)	14,593
The tax paid in foreign countries cannot be deducted	<u>1,492</u>	<u>1,553</u>
Income tax expense recognized in profit or losses	<u>\$ 56,973</u>	<u>\$ 51,424</u>

The reconciliations of accounting income and income tax expenses are as follows:

	<u>2020</u>	<u>2019</u>
Net income before tax	<u>\$ 277,065</u>	<u>\$ 231,275</u>
Income tax expense of the net income before tax calculated with statutory tax rate	\$ 55,413	\$ 46,255
Non-deductible expenses in the tax	64	313
Surtax on unappropriated retained earnings	954	3,292
The tax paid in foreign countries cannot be deducted	1,492	1,553
Adjustments to the income tax expenses in the past years in the current period	(950)	<u>11</u>
Income tax expense recognized in profit or losses	<u>\$ 56,973</u>	<u>\$ 51,424</u>
(2) Income tax recognized in other comprehensive income		
	<u>2020</u>	<u>2019</u>
<u>Deferred income tax</u>		
Generated in the current period		
— Share of the other comprehensive income of subsidiaries accounted for using equity method	<u>\$ 17,173</u>	<u>\$ 4,839</u>
(3) Current income tax liabilities		
	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Current income tax liabilities	<u>\$ 46,972</u>	<u>\$ 16,409</u>

(4) Deferred income tax assets and liabilities

Changes in deferred income tax assets and liabilities are as follows:

2020

	<u>Beginning balance</u>	<u>Recognized in profit or losses</u>	<u>Recognized in other comprehensive income</u>	<u>Ending balance</u>
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized loss from market price decline and obsolete and	\$ 2,764	\$ 557	\$ -	\$ 3,321

slow-moving inventory				
Allowance for bad debts	253	398	-	651
Exchange difference on translation of the financial statements of foreign operations	41,508	-	17,173	58,681
Unrealized foreign exchange losses	<u>30</u>	<u>(30)</u>	<u>-</u>	<u>-</u>
	<u>\$ 44,555</u>	<u>\$ 925</u>	<u>\$ 17,173</u>	<u>\$ 62,653</u>

Deferred income tax liabilities

Temporary differences				
Investment income recognized using equity method	\$ 176,544	(\$ 5,825)	\$ -	\$ 170,719
Unrealized foreign exchange gains	<u>-</u>	<u>47</u>	<u>-</u>	<u>47</u>
	<u>\$ 176,544</u>	<u>(\$ 5,778)</u>	<u>\$ -</u>	<u>\$ 170,766</u>

2019

	Beginning balance	Recognized in profit or losses	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax assets</u>				
Temporary differences				
Unrealized loss from market price decline and obsolete and slow-moving inventory	\$ 3,263	(\$ 499)	\$ -	\$ 2,764
Allowance for bad debts	-	253	-	253
Exchange difference on translation of the financial statements of foreign operations	36,669	-	4,839	41,508
Unrealized foreign exchange losses	<u>-</u>	<u>30</u>	<u>-</u>	<u>30</u>
	<u>\$ 39,932</u>	<u>(\$ 216)</u>	<u>\$ 4,839</u>	<u>\$ 44,555</u>

(Continued on the next page)

(Continued from the previous page)

	Beginning balance	Recognized in profit or losses	Recognized in other comprehensive income	Ending balance
<u>Deferred income tax liabilities</u>				
Temporary differences				
Investment income recognized using equity method	\$ 162,166	\$ 14,378	\$ -	\$ 176,544
Unrealized foreign exchange gains	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
	<u>\$ 162,167</u>	<u>\$ 14,377</u>	<u>\$ -</u>	<u>\$ 176,544</u>

- (5) Deductible temporary differences of deferred income tax assets which were not recognized in the statement of financial position

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Deductible temporary differences	<u>\$ 729</u>	<u>\$ 729</u>

- (6) Income tax assessment

The income tax returns of the Company have been assessed and approved by the tax authorities through fiscal 2018.

XXII. Earnings per share

- (1) Basic earnings per share

The earnings and weighted-average number of common stocks used to calculate basic earnings per share were as follows:

	<u>2020</u>	<u>2019</u>
Net income in the fiscal year	<u>\$ 220,092</u>	<u>\$ 179,851</u>
Weighted average number of common shares used in the calculation of basic earnings per share (1,000 shares)	<u>72,290</u>	<u>72,600</u>
Basic earnings per share (NT\$)	<u>\$ 3.04</u>	<u>\$ 2.48</u>

- (2) Diluted earnings per share

The earnings and weighted-average number of common stocks used to calculate diluted earnings per share were as follows:

	<u>2020</u>	<u>2019</u>
Net income in the fiscal year	<u>\$ 220,092</u>	<u>\$ 179,851</u>
Weighted average number of common shares used in the calculation of basic earnings	72,290	72,600

per share (1,000 shares)		
Influence of dilutive potential common shares		
Compensation of employees (1,000 shares)	<u>376</u>	<u>352</u>
Weighted average number of common shares used in the calculation of diluted earnings per share (1,000 shares)	<u>72,666</u>	<u>72,952</u>
Diluted earnings per share (NT\$)	<u>\$ 3.03</u>	<u>\$ 2.47</u>

If the Company has the option of paying employees in stock or cash, it is assumed that employee compensation will be paid in stock and is included in the weighted-average number of shares outstanding for the purpose of calculating diluted earnings per share when the potential ordinary share has a dilutive effect. The dilutive effect of these potential ordinary shares shall also continue to be considered in the calculation of diluted earnings per share before the following year's resolution by shareholders' meeting on the number of employee compensation shares to be distributed.

XXIII. Capital risk management

The Company is currently in a stable operating phase and the objective of capital risk management is to ensure that it can maximize shareholder returns by optimizing debt and equity balances while continuing to operate and grow.

The Company adopts a prudent risk management strategy and conducts regular reviews to determine the most appropriate capital structure for itself based on its business development strategy and overall planning of operational needs.

XXIV. Financial instruments

(1) Fair value information

1. Financial instruments not at Fair value

The Company considered that Carrying amount of Financial assets and Financial liability not at Fair value is close to Fair value.

2. Financial instruments at Fair value

(1) Fair value hierarchy

Dec. 31, 2020

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Non-current financial assets – measured at the fair value of other comprehensive income</u>				
Investments in equity instruments				
— Stocks of domestic companies which are not listed or traded over the counter	\$ -	\$ -	\$ 262	\$ 262

There were no transfers between Level 1 and Level 2 fair value measurements in fiscal 2020 and 2019.

(2) Valuation techniques and inputs for level 3 fair value measurements

<u>Category of financial instruments</u>	<u>Valuation technique and input value</u>
Investment in the stocks of domestic companies which are not listed or traded over the counter	Net book value per share: Based on the Company's financial information, the net book value per share is calculated as the present value of the expected gain or loss from holding the investment.

(2) Types of financial instruments

	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
<u>Financial assets</u>		
Financial assets measured at amortized cost		
Cash and cash equivalents	\$ 53,805	\$ 82,077
Notes receivable, net	13,804	14,519
Net value of accounts receivable	163,618	142,382
Net accounts receivable — related parties	8,373	3,419
Other receivables	304	305
Other receivables — related parties	30,251	28,037
Financial assets measured at fair value through other comprehensive income		

Investments in equity instruments - non-current	262	-
<u>Financial liability</u>		
Financial liabilities measured at amortized cost		
Short-term loans	233,000	325,000
Accounts payable	33,542	39,931
Accounts payable—related parties	-	1
Other payables	61,886	55,953

(3) Financial risk management objectives and policies

The Company is committed to ensuring that it has sufficient and cost-effective working capital to meet its operating requirements. The Company carefully manages market risk (including foreign currency exchange rate risk, interest rate risk and other price risks), credit risk and liquidity risk associated with its operations to reduce the potential adverse effects of market uncertainties on the Company's financial condition.

1. Market risk management

(1) Exchange Rate Risk

The Company is mainly engaged in the domestic market, and all foreign sales and purchases are quoted in foreign currencies. The Company adopts a natural hedge of foreign currency offsetting, and the net foreign currency position is relatively small. Fluctuations in foreign exchange rates do not have a significant impact on the Company's financial operations, and the Company has been paying attention to exchange rate fluctuations for a long time to minimize the impact on the Company due to exchange rate fluctuations.

The Company's foreign-currency-denominated monetary assets and monetary liabilities as of the balance sheet date Carrying amount can be found in Note XXVII —.

The sensitivity analysis of foreign currency exchange rate risk was calculated for foreign currency monetary items

as of the end of the financial reporting period. If the New Taiwan dollar depreciates/strengthens by 5% against the U.S. dollar, the Company's net income before tax would decrease/increase by \$1,664 thousands and \$1,346 thousands for the years ended December 31, 2020 and 2019, respectively.

(2) Interest rate risk

The Company continues to reduce its borrowing with financial institutions and the Company's management believes that fluctuations in borrowing rates will have little impact on the Company.

(3) Other price risk

The equity risk arises mainly from Financial assets measured at fair value through other comprehensive income (Investment in the stocks of domestic companies which are not listed or traded over the counter).

Sensitivity analysis

The following sensitivity analysis is based on the equity price risk as of the balance sheet date.

If the equity price increases/decreases by 0.5%, other comprehensive income will increase/decrease by \$1 thousand from Jan. 1, 2020 to Dec. 31, 2020 due to the change in Fair value of financial assets measured at Fair value through other gains or losses.

2. Credit risk

Credit risk refers to the risk of financial loss resulting from the default of contractual obligations by the counter-parties. As of the balance sheet date, the Company's maximum exposure to credit risk due to non-performance by counter-parties is the carrying value of financial assets recognized in the Parent Company Only Statement of Financial Position. As of the balance sheet date, the Company's maximum exposure to credit risk arising from counter-parties' failure to meet their obligations is the carrying

value of financial assets recognized in the Parent Company Only Statement of Financial Position.

In order to mitigate credit risk and maintain the quality of Accounts receivable, the Company has established procedures to manage credit risk associated with its operations, and the Company also uses certain credit enhancement tools, such as payment for goods collected in advance and margin acquisition, at appropriate times to reduce customers' credit risk. The Company also uses certain credit enhancement tools, such as payment for goods collected in advance and margin, to reduce customers' credit risk. In addition, the Company reviews the recoverable amounts of receivables on a case-by-case basis at the balance sheet date to ensure that appropriate impairment losses have been recorded for uncollectible receivables.

In 2020 and 2019, except for Company A, the Company's concentration of credit risk to other customers does not exceed 10% of the total Accounts receivable, and these companies have a long history and good repayment status, so the Company's related credit risk is not significant.

The credit risk is limited because the counter-parties of liquidity are financial institutions with good credit ratings, and therefore no significant credit risk is expected.

3. Liquidity risk

The Company copes with the operation and reduces the influence of cash flow fluctuations through the management and maintenance of sufficient amount of cash and cash equivalents. The Company's management monitors the use of banking facilities and ensures compliance with the terms of borrowing contracts. The Company meets its contractual obligations by maintaining appropriate capital and banking facilities. The Company's working capital is sufficient to meet its obligations and there is no liquidity risk that the Company will not be able to raise funds to meet its contractual obligations.

The unused funds of the credit agreements from the bank until December 31st, 2020 and 2019 respectively are \$573,130 thousands and \$354,940 thousands.

The following table is based on the earliest possible period for which the Company may be required to make repayments and is based on the undiscounted cash flows from financial liabilities, which include cash flows from interest and principal. The Company's working capital is sufficient to meet the demand.

Dec. 31, 2020

	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 233,000	\$ -	\$ -	\$ -	\$ 233,000
Accounts payable	33,542	-	-	-	33,542
Other payables	61,886	-	-	-	61,886
Current income tax liabilities	46,972	-	-	-	46,972
Lease liabilities - current	10,095	-	-	-	10,095
Other current liabilities—other	7,533	-	-	-	7,533
Lease liabilities - non-current	-	11,111	8,828	6,450	26,389

Dec. 31, 2019

	Less than 1 year	1-2 years	2-3 years	More than 3 years	Total
<u>Non-derivative financial liabilities</u>					
Short-term loans	\$ 325,000	\$ -	\$ -	\$ -	\$ 325,000
Accounts payable	39,931	-	-	-	39,931
Accounts payable— related parties	1	-	-	-	1
Other payables	55,953	-	-	-	55,953
Current income tax liabilities	16,409	-	-	-	16,409
Lease liabilities - current	8,282	-	-	-	8,282
Other current liabilities—other	3,275	-	-	-	3,275
Lease liabilities - non-current	-	10,277	10,277	14,482	35,036

XXV. Transaction with related parties

The transactions between the Company and related parties (aside from those revealed in notes) are listed below:

(1) Names of related parties and their relationships with the Company

<u>Name of related party</u>	<u>Relationship with the Company</u>
Vietnam Caesar Sanitary Wares Joint Stock Company	Subsidiaries
Chia-Ta-Hang Co., Ltd.	Substantive related party – the chairperson of that company was the spouse of a relative within second degree of kinship of the chairperson of the Company

(2) Operating revenue

<u>Accounting item</u>	<u>Type of related party</u>	<u>2020</u>	<u>2019</u>
Sales revenue	Substantive related party		
	Chia-Ta-Hang Co., Ltd.	<u>\$ 43,655</u>	<u>\$ 36,330</u>
Other operating revenue	Subsidiary		
	Vietnam Caesar Sanitary Wares Joint Stock Company	<u>\$ 14,907</u>	<u>\$ 15,525</u>

There are no significant exceptions to the Terms of Transaction between the Company and other Non-related parties.

In 2018 and 2017, the Company entered into an agreement with Vietnam Caesar Sanitary Wares Joint Stock Company to amend the technical contract for the production of ceramics and entered into a management services contract with the Company to license and assist Vietnam Caesar Sanitary Wares Joint Stock Company in the marketing of the "Caesar Sanitary Wares" brand, market development and technical support services in Vietnam. Vietnam Caesar Sanitary Wares Joint Stock Company shall pay the Company's management service fee, which shall be calculated in accordance with the terms of the Vietnam Caesar Sanitary Wares Joint Stock Company Agreement. Caesar Sanitary Wares Joint Stock Company shall pay the Company a management service fee of 2.5% of Vietnam Sanitary Wares Joint Stock Company's annual sales amount (net of the amount sold to the Company)

on a quarterly basis, subject to a maximum annual amount of US\$500,000; the Company shall receive payment within two months after the end of each quarter, subject to adjustment of capital requirements. The effective period of the aforementioned rate is one year, which is reviewed and revised by the parties upon annual renewal. 2020 and 2019 are recognized under Other operating revenue.

(3) Purchase

<u>Type of related party/Name</u>	<u>2020</u>	<u>2019</u>
Subsidiary		
Vietnam Caesar Sanitary Wares Joint Stock Company	<u>\$ 402,339</u>	<u>\$ 408,381</u>

The Company's purchase from Vietnam Caesar Sanitary Wares Joint Stock Company is a purchase of sanitary equipment products, and the purchase price is Discussed by both parties in the transaction with reference to the market price and gross profit of products. The purchase price is discussed by both parties in the transaction with reference to the market price and gross profit of products, and the payment terms are within 30 days after the shipment from Vietnam Caesar Sanitary Wares Joint Stock Company, subject to adjustment of capital requirements. The payment terms are within 30 days of shipment by Vietnam Caesar Sanitary Wares Joint Stock Company, subject to adjustment of capital requirements. The unrealized gross profit on sales of \$16,479 thousands and \$12,216 thousand were recorded in 2020 and 2019, respectively, for the subsidiaries, associates and joint ventures recognized under the equity method.

(4) Related party receivables (not including loans for related parties)

<u>Accounting item</u>	<u>Type of related party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Accounts receivable—	Subsidiary		
Related parties			
	Vietnam Caesar Sanitary Wares Joint Stock Company	<u>\$ 4,172</u>	<u>\$ -</u>
	Substantive related party		
	Chia-Ta-Hang Co., Ltd.	<u>\$ 4,201</u>	<u>\$ 3,419</u>

(5) Other receivables

<u>Accounting item</u>	<u>Type of related party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Other accounts receivable	Substantive related party		
— Related parties	Chia-Ta-Hang Co., Ltd.	<u>\$ 5</u>	<u>\$ 5</u>

(6) Related party payables (not including loans for related parties)

<u>Accounting item</u>	<u>Type of related party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Accounts payable	Subsidiary		
— related parties	Vietnam Caesar Sanitary Wares Joint Stock Company	<u>\$ -</u>	<u>\$ 1</u>

(7) Endorsement

<u>Type of related party</u>	<u>Dec. 31, 2020</u>	<u>Dec. 31, 2019</u>
Subsidiary		
Vietnam Caesar Sanitary Wares Joint Stock Company	<u>\$ 142,400</u> (USD5,000 仟元)	<u>\$ 194,870</u> (USD6,500 仟元)

(8) Others

The Company and Vietnam Caesar Sanitary Wares Joint Stock Company mutually agreed that the Company purchases raw materials on behalf of Vietnam Caesar Sanitary Wares Joint Stock Company, and the amount of raw materials purchased on behalf of Vietnam Caesar Sanitary Wares Joint Stock Company was \$61,990 thousands and \$67,738 thousands for 2020 and 2019, respectively, and the balances of Other receivables were \$30,246 thousands and \$28,032 thousands, respectively.

(9) Key management compensation

	2020	2019
Short-term employee benefits	\$ 22,678	\$ 20,391
Benefits after retirement	408	399
	<u>\$ 23,086</u>	<u>\$ 20,790</u>

The remuneration of directors and other key management personnel is determined by the Compensation Committee based on individual performance and industry average.

XXVI. Pledged assets

The following assets have been provided as collateral to secure loans or lines of credit with banks

	Dec. 31, 2020	Dec. 31, 2019
Property, plant and equipment—land	\$ 61,652	\$ 61,652
Property, plant and equipment—buildings	<u>35,728</u>	<u>36,622</u>
	<u>\$ 97,380</u>	<u>\$ 98,274</u>

XXVII. Significant contingent liabilities and unrecognized contractual commitments

In addition to those described in other notes, the Company had the following material commitments and contingencies as of the balance sheet date:

- (1) As of Dec. 31, 2020, the Company has entered into construction contracts with various vendors for a total price of NT\$9,481 thousands and has paid NT\$6,636 thousands, recognized as Construction in progress.

- (2) As of Dec. 31, 2020 and 2019, the Company has issued unused letters of credit amounting to US\$0 thousand and US\$414 thousands, respectively.
- (3) As of Dec. 31, 2020 and 2019, the Company has guaranteed the financing loans of Vietnam Caesar Sanitary Wares Joint Stock Company in the amount of NT\$142,400 thousands (US\$5,000 thousands) and NT\$194,870 thousands (US\$6,500 thousands), respectively.

XXVIII. Exchange rate information of foreign currency financial assets and liabilities

Information on the Company's financial assets and liabilities in foreign currencies of significant influence is as follows:

	Dec. 31, 2020			Dec. 31, 2019		
	Foreign currency	Exchange rate	NT\$	Foreign currency	Exchange rate	NT\$
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 1,169	28.48	\$ 33,279	\$ 1,997	29.980	\$ 59,857
RMB	10	4.37	44	-	-	-
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	-	-	-	1,098	29.980	32,931

XXIX. Other matters

The Company was affected by the global pandemic, but the impact was relatively insignificant due to the well-controlled outbreak in Taiwan, and the cumulative Operating revenue increased by approximately 13% as of Dec. 31, 2020 compared to the same period last year, indicating that the outbreak did not have a serious impact on the Company's operations. Although the recent epidemic in Europe and the United States is on the rise, the Company's operating revenue is concentrated in Taiwan and is not expected to be significantly affected.

The Company's working capital, salaries, interest, rent and other expenses have remained normal, and there are no applications for relief from the government.

XXX. Disclosures

(I) Information on significant transactions and (II) information on investees:

1. Lending to others: None.
2. Endorsement and guarantee for others: (Schedule 1).
3. Marketable securities held at the end of the period (excluding investments in subsidiaries, associates and joint ventures): (Schedule 2).
4. The cumulative amount of securities purchased or sold reaches NT\$300 million or 20% of the paid-in capital: None.

5. Acquisition of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
6. Disposal of real estate amounting to at least NT\$300 million or 20% of the paid-in capital: None.
7. The amount of purchase or sale of goods with related parties reaches NT\$100 million or 20% of the paid-in capital: (Schedule 3).
8. Related party receivables amounting to at least NT\$100 million or 20% of the paid-in capital: None.
9. Engage in derivative transactions: None.
10. Information of investee companies: (Schedule 4).

(III) Information of investment from Mainland China: None.

(IV) Information of Major Shareholders: The name of shareholders who hold 5% of the Company's shares and the number and ratio of the shares held by them (Schedule 5).

Sanitar Co., Ltd.
Endorsement and Guarantee for Others
From Jan. 1 to Dec. 31, 2020

Schedule 1

Unit: NT\$ thousands (unless otherwise specified)

No.	Name of the endorser/guarantor	Guaranteed party		Limits on endorsement/guarantee amount provided to each guaranteed party	Maximum balance for the period	Ending balance	Amount actually drawn	Amount of endorsement/guarantee collateralized by properties	Ratio of accumulated endorsement/guarantee to net equity per latest financial statements (%)	Maximum endorsement/guarantee amount allowable	Guarantee provided by parent company	Guarantee provided by a subsidiary	Guarantee provided to entities in Mainland China	Note
		Company name	Relationships											
1	Sanitar Co., Ltd.	Vietnam Caesar Sanitary Wares Joint Stock Company	Investment accounted for using the equity method	\$ 340,563	\$ 196,625	\$ 142,400	\$ 59,680	\$ -	8.36	\$ 681,126	Y	N	N	(Note)

Note: The endorsement/guarantee limit is based on the endorsement/guarantee procedures approved by the shareholders' meeting and stipulated by the Bureau of Securities and Futures of the Financial Supervisory Commission, Executive Yuan on December 18, 2002, by Order no.(91)-Tai-tsai-zhen-(6)-0910161919. The total amount of the Company's endorsement and guarantee shall not exceed 40% of the Company's net worth and the amount of endorsement and guarantee for subsidiaries directly holding more than 50% of the common stock shall not exceed 20% of the Company's net worth for the period.

Sanitar Co., Ltd.
Marketable Securities Held at the End of the Period
Dec. 31, 2020

Schedule 2

Unit: NT\$ thousands (unless otherwise specified)

Holding Company	Type and Name of Marketable Securities	Relationship with the issuer of the marketable securities	Financial statement account	End of the period				Note
				Number of shares	Carrying amount	Shareholding percentage	Fair value	
Sanitar Co., Ltd.	Stock Amsalp Biomedical Corporation	-	Non-current financial assets measured at the fair value through other comprehensive income	154,700	<u>\$ 262</u>	18.20%	<u>\$ 262</u>	—

Sanitar Co., Ltd.

The amount of purchase or sale of goods with related parties reaches NT\$100 million or 20% of the paid-in capital

From Jan. 1 to Dec. 31, 2020

Schedule 3

Unit: NT\$ thousands (unless otherwise specified)

Company name	Transaction counterparty	Relationships	Transaction				Situation and reason of why trading conditions are different from general trading		Notes/ accounts receivable or payable		Note
			Purchases (Sales)	Amount	Ratio to total purchases/sales amount (%)	Loan period	Unit price	Loan period	Balance	Ratio to total amount of notes/accounts receivable or payable (%)	
Sanitar Co., Ltd.	Vietnam Caesar Sanitary Wares Joint Stock Company	Investment accounted for using the equity method	Purchase	\$ 402,339	39%	Vietnam Caesar Sanitary Wares Joint Stock Company should pay within 30 days after the delivery, but this can be adjusted regarding the demand for funds.	Discussed by both parties in the transaction with reference to the market price and gross profit of products	Vietnam Caesar Sanitary Wares Joint Stock Company should pay within 30 days after the delivery, but this can be adjusted regarding the demand for funds.	Accounts payable \$ -	-	Note

Note: Transaction with related parties on the consolidated and parent company only statements were all adjusted and amortized.

Sanitar Co., Ltd.
Name, Location, and Other Related Information of Investees
From Jan. 1 to Dec. 31, 2020

Schedule 4

Unit: NT\$ thousands (unless otherwise specified)

Name of the Investment Company	Name of the Investee Company	Location	Main businesses	Original investment amount		Shares held as of the end of the period			Net income (loss) of the investee	Gain (loss) on investment recognized in the period	Note
				End of the period	End of last period	Number of shares (1,000 shares)	Ratio (%) (Note 3)	Carrying amount			
Sanitar Co., Ltd.	Vietnam Caesar Sanitary Wares Joint Stock Company	Vietnam	Manufacturing and sale of sanitary equipment and water supply equipment	\$ 665,303	\$ 665,303	41,878	100	\$ 1,225,499	\$ 63,253	\$ 58,988	Note 1, 2, 3
Sanitar Co., Ltd.	Kai-Sheng Sanitary Wares Co., Ltd.	Taiwan	Manufacturing and sale of sanitary equipment and water supply equipment	13,260	-	1,326	51	13,221	(76)	(39)	Note 2

Note 1: The difference between the comprehensive income of Vietnam Caesar Sanitary Wares Joint Stock Company and the gain on investment recognized by Sanitar Co., Ltd. was the net change of the unrealized gains or losses from upstream sale, which was NT\$4,264,000.

Note 2: The gain (loss) on investment on the consolidated and parent company only statements were adjusted and amortized.

Note 3: The ratio of shares held as of the end of the period was 99.9993%。

Sanitar Co., Ltd.
Information of Major Shareholders
Dec. 31, 2020

Schedule 5

Name of Major Shareholder	Shares	
	Number of shares held by the person	Shareholding percentage
HSIAO, CHUN-HSIANG	5,013,581	6.90%

Note 1: Information of Major Shareholders is calculated based on the last business day of the quarter in which the shareholders held 5% or more of the Company's common and preferred shares (including Treasury shares). The number of shares in the consolidated financial statements may differ from the actual number of shares delivered due to different bases of computation.

Note 2: The above information is revealed by the trustee's opening of a trust account with individual subaccounts of the principal if the shareholder has delivered the shares to the trust. As for the shareholder's shareholding of more than 10% of insider shares reported under the Securities and Exchange Act, the shareholding includes the shareholding of the shareholder himself/herself plus the shareholding of the shareholder delivered to the trust and has the right to decide the use of the trust property, etc. Please refer to the Market Observation Post System for the information on insider shareholding reporting.

§DETAIL TABLES OF MAJOR ACCOUNTING ITEMS§

<u>ITEM</u>	<u>NO.</u>
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Chart of Accounts for the Employee Benefits, Depreciation, Depletion and Amortization Expenses in the Period	Note XX

Sanitar Co., Ltd.

Detail Table of Cash and Cash Equivalents

Dec. 31, 2020

Detail Table 1

Unit: NT\$ thousands unless otherwise specified

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and working capital		\$ 242
Bank deposits		
Checking deposit		53,171
Demand deposit		<u>392</u>
		<u>\$ 53,805</u>

Sanitar Co., Ltd.
Detail Table of Notes Receivable
Dec. 31, 2020

Detail Table 2

Unit: NT\$ thousands

<u>Name of Customer</u>	<u>Summary</u>	<u>Amount</u>
Non-related parties		
Pu O Sanitary Ware and Building Materials Co., Ltd.	Payment for goods	\$ 3,940
Han O Construction Co., Ltd.	"	2,285
Feng O Enterprise Co., Ltd.	"	1,661
Yong O Energy Co., Ltd.	"	701
Other (Note)	"	<u>5,217</u>
		<u>\$ 13,804</u>

Note: The balance of each account did not exceed 5% of the balance of the subject.

Sanitar Co., Ltd.
Detail Table of Accounts Receivable
Dec. 31, 2020

Detail Table 3

Unit: NT\$ thousands

Name of Customer	Summary	Amount
Related parties		
Chia-Ta-Hang Co., Ltd.	Payment for goods	\$ 4,201
Vietnam Caesar Sanitary Wares Joint Stock Company	"	<u>4,172</u>
		<u>\$ 8,373</u>
Non-related parties		
A Company	Payment for goods	\$ 46,323
B Company	"	14,867
C Company	"	10,737
Other (Note)	"	<u>95,876</u>
		167,803
Minus: Allowance for bad debts		(<u>4,185</u>)
		<u>\$ 163,618</u>

Note: The balance of each account did not exceed 5% of the balance of the subject.

Sanitar Co., Ltd.
Detail Table of Inventory
Dec. 31, 2020

Detail Table 4

Unit: NT\$ thousands

Item	Cost	Lower of Cost or Market	
		Price drop	Premium
Merchandise inventory	\$ 165,403	(\$ 698)	\$ 88,139
Minus: Loss on the provision for obsolete stocks	(698)	-	-
	<u>164,705</u>	(698)	<u>88,139</u>
Dead Stock			
Merchandise inventory	15,906	(15,906)	-
Minus: Loss on the provision for dead stock	(15,906)	-	-
	-	(15,906)	-
	<u>\$ 164,705</u>	(\$ 16,604)	<u>\$ 88,139</u>

Note: The market price of inventory was based on net realizable value.

Sanitar Co., Ltd.
Detail Table of Prepayments
Dec. 31, 2020

Detail Table 5

Unit: NT\$ thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Other prepaid expenses	Prepayment of insurance premium, etc.	\$ 1,204
	Inventory of supply	<u>981</u>
		<u>\$ 2,185</u>
Prepayment for goods	K Company	\$ 8,688
	Z Company	1,665
	Other	<u>1,495</u>
		<u>\$ 11,848</u>

Sanitar Co., Ltd.

Detail Table of Non-current Financial Assets Measured at Fair Value through Other Comprehensive Income

Dec. 31, 2020s

Detail Table 6

Unit: NT\$ thousands (unless otherwise specified)

Name of Security	Number of shares /unit	Carrying amount (NT\$)	Fair value		Provided as collateral or pledge
			Unit price (NT\$)	Total	
Stock of domestic unlisted companies Amsalp Biomedical Corporation	<u>154,700</u>	10	1.69	\$ <u>262</u>	No

Sanitar Co., Ltd.

Detail Table of the Changes in Investment Accounted for Using Equity Method

From Jan. 1 to Dec. 31, 2020

Detail Table 7

Unit: NT\$ thousands (unless otherwise specified)

	Beginning balance		Increase in the fiscal year		Decrease in the fiscal year			Share of the profit or loss of subsidiaries, associates and joint ventures accounted for using equity method	Ending balance			Net value of equity (Note 1)		Provided as collateral or pledge	
Name of the Investee Company	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Decrease - Note		Number of shares	Shareholding percentage	Amount	Unit price (NT\$)	Total		
Foreign unlisted company															
Vietnam Caesar Sanitary Wares Joint Stock Company	41,877	\$ 1,340,484	-	\$ -	-	(\$ 173,973)	(Note 2)	\$ 58,988	41,877	100	(Note 3)	\$ 1,225,499	-	\$ 1,241,978	No
Kai-Sheng Sanitary Wares Co., Ltd.	-	-	1,326	13,260	-	-		(39)	1,326	51		13,221	-	13,221	No
		<u>\$ 1,340,484</u>		<u>\$ 13,260</u>		<u>(\$ 173,973)</u>		<u>\$ 58,949</u>				<u>\$ 1,238,720</u>		<u>\$ 1,255,199</u>	

Note 1: Calculated with the net value of the equity on the financial statements of the investee companies audited by CPAs, and the shareholding percentage of the Company.

Note 2: This was composed of the exchange differences on translation of foreign financial statements of NT\$85,864,000 and the distribution of earnings by Vietnam Caesar Sanitary Wares Joint Stock Company, which was NT\$88,109,000.

Note 3: The shareholding percentage was 99.993%.

Note 4: The difference between the net value and the carrying amount came from the unrealized gain on the upstream sale at the end of year, which was NT\$16,479,000.

Sanitar Co., Ltd.
Detail Table of Refundable Deposits
Dec. 31, 2020

Detail Table 8

Unit: NT\$ thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Refundable deposits	Security deposits for warehouses, offices, etc.	\$ 1,099
	Notes of refundable deposits	3,253
	Other	<u>368</u>
		<u>\$ 4,720</u>

Sanitar Co., Ltd.
Detail Table of Accounts Payable
Dec. 31, 2020

Detail Table 9

Unit: NT\$ thousands

Name	Summary	Amount
Non-related parties		
A Company	Payment for goods	\$ 4,946
B Company	"	4,496
C Company	"	3,783
D Company	"	2,030
E Company	"	1,770
Other (Note)	"	<u>16,517</u>
		<u>\$ 33,542</u>

Note: The amount of each account did not exceed 5% of the balance of the subject.

Sanitar Co., Ltd.

Detail Table of Other Current Liabilities — Other

Dec. 31, 2020

Detail Table 10

Unit: NT\$ thousands

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Tax payable	Sales tax	\$ 7,077
Advance received		79
Collections	Deduction of premium for the insurance of employees, etc.	<u>377</u>
		<u>\$ 7,533</u>

Sanitar Co., Ltd.
Detail Table of Lease Liabilities
Dec. 31, 2020

Detail Table 11

Unit: NT\$ thousands

Item	Summary	Lease period	Discount rate	Ending balance	Remarks
Buildings	Exhibition center	107/4/4~114/6/30	1.66%~1.89%	<u>\$ 35,895</u>	

Sanitar Co., Ltd.
Detail Table of Operating Revenue
2020

Detail Table 12

Unit: NT\$ thousands

<u>Name</u>	<u>Summary</u>	<u>Quantity</u>	<u>Amount</u>
Porcelain	Toilet bowls, water tanks, basin stands and urinal bowls, etc.	532,000 pcs	\$ 709,649
Water use equipment	Taps, shower heads, shower pillars, etc.	151,000 pcs	232,305
Automated equipment	Computer toilet seat covers, etc.	54,000 pcs	204,018
Bathtubs		6,000 pcs	27,849
Other	Mirrors and accessories, etc.		<u>268,499</u>
			<u>1,442,320</u>
Other operating revenue	Income from management services		14,907
	Income from maintenance		<u>14,169</u>
			<u>29,076</u>
			<u>\$ 1,471,396</u>

Sanitar Co., Ltd.
Detail Table of the Cost of Sales
2020

Detail Table 13

Unit: NT\$ thousands

Item	Amount
Merchandise inventory at the beginning of the period	\$ 155,949
Plus: net value of purchase in the period	1,006,521
Minus: Inventory short	(106)
Minus: Inventory obsolescence	(421)
Minus: Transferred into other operating costs — maintenance material fees	(3,999)
Minus: Transferred into sales expenses — advertising fee	(18)
Minus: Inventory at the end of the period	(181,309)
Income from the sale of leftover materials	(11)
Loss on inventory obsolescence	421
Inventory short	106
Loss from market price decline and obsolete and slow-moving inventory	<u>2,786</u>
Cost of sales	<u>\$ 979,919</u>

Sanitar Co., Ltd.
Detail Table of Other Operating Costs
2020

Detail Table 14

Unit: NT\$ thousands

Item	Amount
Salary expenses	\$ 34,307
Insurance premium	3,080
Maintenance fees	3,999
Other (Note)	<u>4,193</u>
	<u>\$ 45,579</u>

Note: The amount of each account did not exceed 5% of the balance of the subject.

Sanitar Co., Ltd.
Detail Table of Operating Expenses
2020

Detail Table 15

Unit: NT\$ thousands

Item	Marketing expenses	Management expenses	R&D expenses	Total
Salary expenses	\$ 43,832	\$ 53,994	\$ 5,286	\$ 103,112
Transportation fee	11,913	22	70	12,005
Insurance premium	4,336	4,360	403	9,099
Advertising fee	26,699	30	-	26,729
Depreciation expense	22,850	9,895	60	32,805
Other (Note)	<u>15,899</u>	<u>18,457</u>	<u>2,184</u>	<u>36,540</u>
	<u>\$ 125,529</u>	<u>\$ 86,758</u>	<u>\$ 8,003</u>	220,290
Expected credit losses				<u>2,270</u>
				<u>\$ 222,560</u>

Note: The amount of each account did not exceed 5% of the balance of the subject.