CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2020 AND 2019

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES

Declaration of Consolidated Financial Statements of Affiliated Enterprises

Year ended December 31, 2020, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the entity that is required to be included in the consolidated financial statements of affiliates, is the same as the entity required to be included in the consolidated financial statements of parent and subsidiary companies under IFRS 10. Also, if relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies, it shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

CSBC CORPORATION, TAIWAN

WEN-LON CHENG

March 18, 2021

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

PWCR20000379

To the Board of Directors and Shareholders of CSBC CORPORATION, TAIWAN

Opinion

We have audited the accompanying consolidated balance sheets of CSBC CORPORATION, TAIWAN and its subsidiaries (the "Group") as at December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and generally accepted auditing standards in the Republic of China. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group's 2020 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group’s 2020 consolidated financial statements are stated as follows:

Accounting estimates and assumptions for total cost of construction contracts

Description

Please refer to Note 4(28) for a description of the accounting policy on construction contracts. Please refer to Note 5 for critical accounting estimates and assumptions for total cost of construction contracts.

The Group is engaged in the business of designing and building of various ships and cruisers. Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

As the data used for assumptions involves subjective judgement and accounting estimates are highly uncertain, this may affect the completeness and relevant assertions. Considering that the estimated total cost of construction contracts is material to the financial statements, therefore, we assessed that these accounting estimates and assumptions as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Assessing the effectiveness of CSBC Group’s internal control regarding the estimation process of total cost of construction contract. This includes:
   (1) Whether the data used by management for estimates and assumptions is complete, relevant and accurate.
   (2) Whether accounting estimates and assumptions have been reviewed and approved by proper management level.
   (3) Whether the segregation of duties is appropriate.
2. Obtaining the Estimate at Completion Reports, selecting sample reports and verifying the accuracy, completeness and relevance of the data that was used for assumptions and estimations. Checking whether the use of estimates and assumptions in the Estimate at Completion Reports are appropriate.
3. Comparing cost at completion for the same or similar ships and then assessing the reasonableness of the Estimate at Completion Report.

Assessment of construction loss

Description

Please refer to Note 4(28) for a description of the accounting policy on construction contracts.

There is a concern regarding the oversupply in the shipbuilding industry worldwide. Customers tend to behave conservatively which causes a decline in ship prices. Thus, there is a high possibility of total construction cost exceeding total construction revenue. In accordance with the Group’s accounting policy on construction contracts, when there is a high possibility of total construction cost exceeding total construction revenue, estimated loss shall be recognised immediately.

The aforementioned estimated loss shall include constructions that have not yet been initiated. As the estimated loss is material to the financial statements, therefore, we assessed estimated loss as one of the key audit matters for this year.

How our audit addressed the matter

The scope of our audit responded to the risk as follows:

1. Obtaining calculation table of construction in progress – construction income / loss. Checking whether it includes all the construction contracts including those contracts that have not yet been initiated.
2. Testing the accuracy of calculation table by selecting samples and performing the following audit procedures:
   (1) Reviewing construction contracts and checking the contractual price and foreign exchange rates in order to verify the accuracy of calculation.
   (2) Verifying estimated total construction cost to management’s calculation in order to check the consistency of estimates and assumptions used.

Other matter – Parent company only financial reports

We have audited and expressed an unqualified opinion on the parent company only financial statements of CSBC CORPORATION TAIWAN, as at and for the years ended December 31, 2020 and 2019.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

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

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

TIEN, CHUNG-YU

WANG, KUO-HUA

For and on behalf of PricewaterhouseCoopers, Taiwan
March 18, 2021

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Assets	Notes	December 31, 2020		December 31, 2019	
			AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,237,845	3	$ 4,122,363	12
1140	Current contract assets	6(20)(24) and 7	4,793,876	13	5,798,947	17
1170	Accounts receivable, net	6(2)(20) and 7	1,194,927	3	1,301,669	4
1200	Other receivables		26,464	-	100,795	-
1210	Other receivables - related parties	7	21,945	-	16,633	-
1220	Current income tax assets		1,395	-	1,469	-
130X	Inventories	6(3)(20)	2,349,362	6	1,824,592	5
1410	Prepayments	6(4) and 7	9,902,802	27	5,269,605	15
1479	Other current assets, others		3,768	-	15,631	-
11XX	**Current Assets**		19,532,384	52	18,451,704	53
	Non-current assets					
1550	Investments accounted for under equity method	6(5)	1,059,433	3	29,408	-
1600	Property, plant and equipment	6(6)	11,331,068	31	10,955,512	31
1755	Right-of-use assets	6(7)	3,500,944	9	3,805,463	11
1760	Investment property - net	6(8)(9)	212,918	1	211,506	1
1780	Intangible assets	6(10)	21,476	-	10,121	-
1840	Deferred income tax assets	6(30)	1,533,169	4	1,544,867	4
1920	Guarantee deposits paid		56,174	-	67,606	-
15XX	**Non-current assets**		17,715,182	48	16,624,483	47
1XXX	**Total assets**		$ 37,247,566	100	$ 35,076,187	100

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CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

	Liabilities and Equity	Notes	December 31, 2020 AMOUNT	%	December 31, 2019 AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(11)	$ 5,279,146	14	$ 1,822,361	5
2110	Short-term notes and bills payable	6(12)	2,699,405	7	1,699,563	5
2130	Current contract liabilities	6(20)(24) and 7	6,698,791	18	8,707,809	25
2150	Notes payable	6(20)	8,116	-	-	-
2160	Notes payable - related parties	6(20) and 7	111,592	-	285,404	1
2170	Accounts payable	6(20)	1,600,887	4	1,094,303	3
2200	Other payables	6(14)	1,328,903	4	1,192,986	3
2230	Current income tax liabilities		2,909	-	4,915	-
2250	Provisions for liabilities - current	6(15)(20) and 7	1,292,762	4	1,617,584	5
2280	Current lease liabilities	6(7)	272,881	1	265,694	1
2310	Advance receipts		20,460	-	15,089	-
2320	Long-term liabilities, current portion	6(17)	1,280,000	4	500,000	1
21XX	**Current Liabilities**		20,595,852	56	17,205,708	49
	Non-current liabilities					
2500	Non-current financial liabilities at fair value through profit or loss	6(13)(16)	5,995	-	-	-
2530	Bonds payable	6(16)	1,932,301	5	-	-
2540	Long-term borrowings	6(17)	3,918,570	10	5,347,772	15
2570	Deferred income tax liabilities	6(30)	1,324,697	4	1,324,697	4
2580	Non-current lease liabilities	6(7)	3,268,411	9	3,562,819	10
2610	Long-term notes and accounts payable	6(18)	693,347	2	681,757	2
2630	Long-term deferred revenue	6(18)	193,391	-	204,981	1
2640	Accrued pension liabilities	6(19)	3,401	-	42,430	-
2645	Guarantee deposits received		283,392	1	247,941	1
2670	Other non-current liabilities, others		20,128	-	824	-
25XX	**Non-current liabilities**		11,643,633	31	11,413,221	33
2XXX	**Total Liabilities**		32,239,485	87	28,618,929	82
	Equity attributable to owners of parent					
	Share capital					
3110	Share capital - common stock	6(21)	4,730,555	13	4,729,918	13
	Capital surplus					
3200	Capital surplus	6(16)(22)(32)	97,071	-	1,338,798	4
	Retained earnings	6(23)				
3320	Special reserve		3,166,471	8	3,166,471	9
3350	Accumulated deficit		(2,986,016)	(8)	(2,777,929)	(8)
31XX	**Equity attributable to owners of the parent**		5,008,081	13	6,457,258	18
3XXX	**Total equity**		5,008,081	13	6,457,258	18
	Significant contingent liabilities and unrecognised contract commitments	7 and 9				
	Significant events after the balance sheet date	11				
3X2X	**Total liabilities and equity**		$ 37,247,566	100	$ 35,076,187	100

The accompanying notes are an integral part of these consolidated financial statements.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

			Year ended December 31			
			2020		2019	
	Items	Notes	AMOUNT	%	AMOUNT	%
4000	Sales revenue	6(24) and 7	$ 25,296,629	100	$ 16,540,899	100
5000	Operating costs	6(3)(10)(28)(29) and 7	(26,706,103)	(105)	(17,731,280)	(107)
5900	Net operating margin		(1,409,474)	(5)	(1,190,381)	(7)
	Operating expenses	6(10)(28)(29)				
6100	Selling expenses		(67,767)	-	(77,936)	-
6200	General and administrative expenses		(339,995)	(1)	(339,252)	(2)
6300	Research and development expenses		(94,017)	(1)	(99,847)	(1)
6450	Impairment loss (impairment gain and reversal of impairment loss) determined in accordance with IFRS 9	12(2)	3,858	-	1,276	-
6000	Total operating expenses		(497,921)	(2)	(515,759)	(3)
6900	Operating loss		(1,907,395)	(7)	(1,706,140)	(10)
	Non-operating income and expenses					
7100	Interest income		6,699	-	18,907	-
7010	Other income	6(8)(18)(25)	431,928	2	101,339	1
7020	Other gains and losses	6(26)	(9,096)	-	(125,507)	(1)
7050	Finance costs	6(6)(7)(18)(27)	(100,911)	(1)	(66,425)	(1)
7060	Share of profit/(loss) of associates and joint ventures accounted for under equity method	6(5)	(19,975)	-	(31,084)	-
7000	Total non-operating income and expenses		308,645	1	(102,770)	(1)
7900	**Loss before income tax**		(1,598,750)	(6)	(1,808,910)	(11)
7950	Income tax expense	6(30)	(1,337)	-	(6,608)	-
8200	**Loss for the year**		($ 1,600,087)	(6)	($ 1,815,518)	(11)
	Other comprehensive income					
	Components of other comprehensive income that will not be reclassified to profit or loss					
8311	Actuarial gain on defined benefit plan	6(19)	$ 66,502	-	$ 90,902	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(13,300)	-	(18,180)	-
8300	**Total other comprehensive income for the year**		$ 53,202	-	$ 72,722	-
8500	**Total comprehensive loss for the year**		($ 1,546,885)	(6)	($ 1,742,796)	(11)
	Profit (loss), attributable to:					
8610	Owners of the parent		($ 1,600,087)	(6)	($ 1,818,470)	(11)
8620	Non-controlling interest		-	-	2,952	-
	Total		($ 1,600,087)	(6)	($ 1,815,518)	(11)
	Comprehensive income (loss) attributable to:					
8710	Owners of the parent		($ 1,546,885)	(6)	($ 1,745,748)	(11)
8720	Non-controlling interest		-	-	2,952	-
	Total		($ 1,546,885)	(6)	($ 1,742,796)	(11)
	Basic earnings per share	6(31)				
9750	Total basic earnings per share		($ 3.38)		($ 3.91)	

The accompanying notes are an integral part of these consolidated financial statements.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

		Equity attributable to owners of the parent							
				Retained earnings					
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Accumulated deficit	Total	Non-controlling interest	Total equity
2019									
Balance at January 1, 2019		$ 3,729,918	$ 2,005,515	$ 1,065,297	$ 3,166,471	($ 4,025,443)	$ 5,941,758	$ 43,796	$ 5,985,554
Profit (loss) for the year, net of tax		-	-	-	-	(1,818,470)	(1,818,470)	2,952	(1,815,518)
Other comprehensive income		-	-	-	-	72,722	72,722	-	72,722
Total comprehensive income (loss)		-	-	-	-	(1,745,748)	(1,745,748)	2,952	(1,742,796)
Cash capital increase	6(21)(22) and 7	1,000,000	1,252,000	-	-	-	2,252,000	-	2,252,000
Legal reserve used to offset accumulated deficit	6(23)	-	-	(1,065,297)	-	1,065,297	-	-	-
Capital surplus used to offset accumulated deficit	6(22)(23)	-	(1,927,965)	-	-	1,927,965	-	-	-
Acquisition of ownership interests in subsidiaries	6(22)(32) and 7	-	9,248	-	-	-	9,248	(46,748)	(37,500)
Balance at December 31, 2019		$ 4,729,918	$ 1,338,798	$ -	$ 3,166,471	($ 2,777,929)	$ 6,457,258	$ -	$ 6,457,258
2020									
Balance at January 1, 2020		$ 4,729,918	$ 1,338,798	$ -	$ 3,166,471	($ 2,777,929)	$ 6,457,258	$ -	$ 6,457,258
Loss for the year, net of tax		-	-	-	-	(1,600,087)	(1,600,087)	-	(1,600,087)
Other comprehensive income		-	-	-	-	53,202	53,202	-	53,202
Total comprehensive loss		-	-	-	-	(1,546,885)	(1,546,885)	-	(1,546,885)
Capital surplus used to offset accumulated deficit	6(22)(23)	-	(1,338,798)	-	-	1,338,798	-	-	-
Due to recognition of equity component of convertible bonds issued	6(16)(22)	-	96,153	-	-	-	96,153	-	96,153
Conversion of convertible bonds	6(16)(21)(22)	637	918	-	-	-	1,555	-	1,555
Balance at December 31, 2020		$ 4,730,555	$ 97,071	$ -	$ 3,166,471	($ 2,986,016)	$ 5,008,081	$ -	$ 5,008,081

The accompanying notes are an integral part of these consolidated financial statements.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		($ 1,598,750)	($ 1,808,910)
Adjustments			
Adjustments to reconcile profit (loss)			
Expected credit gain	12(2)	(3,858)	(1,276)
Depreciation of property, plant and equipment	6(6)(28)	585,453	552,089
Depreciation of right-of-use assets	6(7)(28)	245,961	237,744
Depreciation of investment property	6(9)	680	556
Amortization	6(10)(28)	15,710	16,158
Share of profit (loss) of investments accounted for using equity method	6(5)	19,975	31,084
Interest income		(6,699)	(18,907)
Government grant income	6(25)(33)	(11,590)	(11,396)
(Gain) loss on valuation of financial assets and liabilities at fair value through profit or loss		(11,749)	108
Loss on disposal of property, plant and equipment	6(26)	2,197	44,602
Interest expense	6(27)	100,911	66,425
Changes in operating assets and liabilities			
Changes in operating assets			
Decrease in current contract assets		1,007,494	856,247
Decrease (increase) in accounts receivable		108,177	(400,968)
Decrease (increase) in other receivables		74,237	(81,649)
(Increase) decrease in other receivables - related parties		(5,312)	67,127
Increase in inventories		(524,770)	(486,778)
Increase in prepayments		(4,633,197)	(3,991,275)
Decrease (increase) in other current assets		11,863	(13,562)
Changes in operating liabilities			
Decrease in financial liabilities at fair value through profit or loss		-	(108)
(Decrease) increase in current contract liabilities		(2,009,018)	5,956,541
Increase in notes payable		8,116	-
Decrease in notes payable - related parties		(173,812)	(143,364)
Increase in accounts payable		506,584	381,041
Increase in other payables		119,296	124,915
Decrease in provisions for liabilities - current		(324,822)	(909,975)
Increase in receipts in advance		5,371	11,745
Increase in net defined benefit liability - non-current		27,473	38,964
Cash (outflow) inflow generated from operations		(6,464,079)	517,178
Interest received		6,793	18,861
Payment of interest		(77,572)	(56,539)
Income tax (paid) refund		(4,871)	750
Net cash flows (used in) from operating activities		(6,539,729)	480,250

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CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars)

	Notes	Year ended December 31, 2020	Year ended December 31, 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investments accounted for using equity method	6(5)(32)	($ 1,050,000)	($ 49,500)
Acquisition of property, plant and equipment	6(33)	(947,448)	(974,462)
Acquisition of intangible assets	6(10)	(27,065)	(11,668)
Increase in refundable deposits		(21,458)	(73,203)
Decrease in refundable deposits		32,890	36,347
Net cash flows used in investing activities		(2,013,081)	(1,072,486)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(34)	3,456,785	532,211
Increase in short-term notes and bills payable	6(34)	999,842	1,699,563
Proceeds from issuance of bonds	6(34)	2,034,775	-
Proceeds from long-term debt	6(34)	-	300,000
Repayments of long-term debt	6(34)	(649,202)	(150,765)
Repayments of principal portion of lease liabilities	6(34)	(228,663)	(214,694)
Increase in long-term deferred revenue	6(34)	-	145,238
Increase in guarantee deposit received	6(34)	202,062	236,469
Decrease in guarantee deposit received	6(34)	(166,611)	(173,456)
Increase (decrease) in other non-current liabilities	6(34)	19,304	(12,409)
Acquisition of ownership interests in subsidiaries	6(32) and 7	-	(37,500)
Cash capital increase	6(21)	-	2,252,000
Net cash flows from financing activities		5,668,292	4,576,657
Net (decrease) increase in cash and cash equivalents		(2,884,518)	3,984,421
Cash and cash equivalents at beginning of year	6(1)	4,122,363	137,942
Cash and cash equivalents at end of year	6(1)	$ 1,237,845	$ 4,122,363

The accompanying notes are an integral part of these consolidated financial statements.

CSBC CORPORATION, TAIWAN AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Expressed in thousands of New Taiwan dollars, except as otherwise indicated)

1. HISTORY AND ORGANIZATION

(1) On May 1, 1946, Taiwan Machinery and Shipbuilding Company was established by the government, and then was divided into two companies 'Taiwan Machinery Corporation' and 'Taiwan Shipbuilding Corporation (TSBC)' to split the machinery and shipbuilding business for the purpose of management. In the late 1960s, the government built large shipyards in Xiaogang Kaohsiung which is the current place of business for CSBC CORPORATION, TAIWAN (the "Company").

(2) In July 1973, China Shipbuilding Corporation was established by the government. In the early days, most of its labour and techniques were supported by TSBC and they were both reverted to become state - owned companies under the Ministry of Economic Affairs. In January 1978, China Shipbuilding Corporation merged with TSBC and China Shipbuilding Corporation became the surviving company. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the business of building, manufacturing and repairing of various ships and onshore equipment, ship coating, anti-corrosion coating on large steel structure, surface treatment and professional coating.

(3) On March 1, 2007, China Shipbuilding Corporation changed its name to CSBC Corporation, Taiwan.

(4) The Company became a listed company since December 22, 2008.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These consolidated financial statements were authorized for issuance by the Board of Directors on March 18, 2021.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IAS 1 and IAS 8, 'Disclosure initiative-definition of material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, IAS 39 and IFRS 7, 'Interest rate benchmark reform'	January 1, 2020
Amendment to IFRS 16, 'Covid-19-related rent concessions'	June 1, 2020 (Note)

Note: Earlier application from January 1, 2020 is allowed by FSC.

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment:

Amendment to IFRS 16, 'Covid-19-related rent concessions'

This amendment provides a practical expedient for lessees from assessing whether a rent concession related to COVID-19, and that meets all of the following conditions, is a lease modification:

A. Changes in lease payments result in the revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

B. Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and

C. There is no substantive change to other terms and conditions of the lease.

The Group adopted this practical expedient. The relevant impact is provided in Note 6(7).

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 4, 'Extension of the temporary exemption from applying IFRS 9'	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, 'Interest Rate Benchmark Reform— Phase 2'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 3, 'Reference to the conceptual framework'	January 1, 2022
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts—cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(b) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in compliance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) <u>Basis of consolidation</u>

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group's consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	% of shares held as of December 31, 2020	2019	Description
CSBC CORPORATION, TAIWAN	CSBC Coating Solutions Co., Ltd.	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	Note
CSBC Coating Solutions Co., Ltd.	BLUE ACE CORPORATION	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion	100	100	
CSBC Coating Solutions Co., Ltd.	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Marine works services	100	100	

Note: The Company acquired a 30% equity interest from non-controlling interests in September 2019, please refer to Notes 6(32) and 7(2)H for further information.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group:

The non-controlling interests are not material to the Group.

(4) Foreign currency translation

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional and the Group’s presentation currency.

A. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. All foreign exchange gains and losses are presented in the statement of comprehensive income within ‘other gains and losses’.

(5) Classification of current and non-current items

A. The Company is engaged in the business of shipbuilding, vessel building, major machinery building and ship repairing such that the contractual periods of these projects are usually over one year. Therefore, the assets and liabilities of these projects are classified as current assets or liabilities if the period of the project is shorter than the operating cycle; otherwise they are classified as non-current assets or liabilities. The classification criteria of assets and liabilities that are not project related are as follows：Current assets include cash, the assets held for trading or the assets arising from operating activities that are expected to be consumed or to be realized within twelve months from the balance sheet date; fixed assets and other assets that are not classified as current assets are non-current assets. Current liabilities include the liabilities arising mainly from trading activities and are expected to be settled within twelve months from the balance sheet date. The liabilities that are not classified as current liabilities are non-current liabilities.

B. Classification of current and non-current items of the Company’s subsidiaries is as follows:

(a) Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

i. Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

ii. Assets held mainly for trading purposes;

iii. Assets that are expected to be realised within twelve months from the balance sheet date;

iv. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

(b) Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

i. Liabilities that are expected to be settled within the normal operating cycle;

ii. Liabilities arising mainly from trading activities;

iii. Liabilities that are to be settled within twelve months from the balance sheet date;

iv. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost, at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Group derecognises a financial asset when one of the following conditions is met:

A. The contractual rights to receive the cash flows from the financial asset expire.

B. The contractual rights to receive cash flows of the financial asset have been transferred and the Group has transferred substantially all risks and rewards of ownership of the financial asset.

C. The contractual rights to receive cash flows of the financial asset have been transferred; however, the Group has not retained control of the financial asset.

(10) Leasing arrangements (lessor)-operating leases

Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) Inventories

The perpetual inventory system is adopted for inventory recognition. Inventories are stated at cost. The cost is determined using the weighted-average method. At the end of period, inventories are evaluated at the lower of cost or net realizable value, and the individual item approach is used in the comparison of cost and net realizable value. The calculation of net realizable value is based on the estimated selling price in the normal course of business, net of estimated costs of completion and estimated selling expenses.

(12) Investments accounted for under the equity method - associates

A. Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 percent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. When changes in an associate's equity are not recognised in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognises the Group's share of change in equity of the associate in 'capital surplus' in proportion to its ownership.

D. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

E. When the Group disposes its investment in an associate, if it loses significant influence over this associate, the amounts previously recognised in other comprehensive income in relation to the associate, are reclassified to profit or loss, on the same basis as would be required if the relevant assets or liabilities were disposed of. If it still retains significant influence over this associate, then the amounts previously recognised in other comprehensive income in relation to the associate are reclassified to profit or loss proportionately in accordance with the aforementioned approach.

(13) Investment accounted for using equity method-joint ventures

Investment of joint arrangements are classified as joint ventures based on its contractual rights and obligations. Unrealised profits and losses arising from the transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in the joint venture. However, when the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, all such losses shall be recognised immediately. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture together with any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

(14) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Land improvements	5 ～ 50 years
Buildings and structures	8 ～ 65 years
Machinery and equipment	2 ～ 58 years
Transportation equipment	3 ～ 40 years
Leasehold improvements	3 ～ 14 years
Other equipment	2 ～ 14 years

(15) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low-value assets, lease payments are recognised as an expense on a straight-line basis over the lease term.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate. Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate;

(c) Amounts expected to be payable by the lessee under residual value guarantees;

(d) The exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and

(e) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date;

(c) Any initial direct costs incurred by the lessee; and

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

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(16) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 60 years.

(17) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 5 years.

(18) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(19) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(20) Accounts and notes payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(21) Convertible bonds

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds are initially recognised at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognised in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus - share options'.

(22) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability specified in the contract is discharged or cancelled or expires.

(23) Non-hedging derivatives

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss.

(24) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(25) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognised as pension expenses when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of government bonds (at the balance sheet date) of a currency and term consistent with the currency and term of the employment benefit obligations.

ii. Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii. Past service costs are recognised immediately in profit or loss.

C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group’s decision to terminate an employee’s employment before the normal retirement date, or an employee’s decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognises expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

D. Employees' compensation and directors' and supervisors' remuneration

Employees' remuneration and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(26) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C. Deferred income tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from acquisitions of equipment or technology, research and development expenditures, employees' training costs and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(27) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(28) Revenue recognition

A. The revenues from construction contracts in relation to shipbuilding, vessel construction and machinery manufacturing are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the workload completed to the total expected workload of the contracts. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

B. The revenues from service contract in relation to ship/vessel repairs and anti-corrosion coating are identified to be one performance obligation satisfied over time and are recognised by the percentage-of-completion as of the financial reporting date. The percentage-of-completion is measured based on the percentage of the actual cost incurred to the total expected cost of the contracts. At the beginning of the contract period, as the Group may find it difficult to estimate the result of obligation performance, it estimates the actual cost incurred for performing obligations which could be recovered. The contract revenue should be recognised only to the extent of actual costs incurred until the result of obligation performance could by measured reasonably.

C. The Group's estimate about revenue, costs and percentage-of-completion is subject to a revision whenever there is a change in circumstances. Any increase or decrease in revenue or costs due to an estimate revision is reflected in profit or loss during the period when the management become aware of the changes in circumstances.

D. As the time interval between the transfer of committed goods or service and the payment of customer does not exceed one year, according to the agreements, the Group does not adjust the transaction price to reflect the time value of money.

E. The Company classifies its ship leasing business as an operating lease. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(29) Government grants

Government grants are recognised at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate.

(30) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision-Maker. The Chief Operating Decision-Maker is responsible for allocating resources and assessing performance of the operating segments.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Construction contracts

The Group recognises construction contract revenue and costs using the percentage-of-completion method, wherein the revenue to be recognised is equal to the percentage of completed work out of the total estimated work.

Assumptions for estimated construction cost include cost for equipment, material, labor and etc. Data used for assumptions involves subjective judgement and accounting estimates and are highly uncertain. As a result, assumptions used are material to the total construction cost and further affects the calculation of construction profit.

If the estimated total contract costs had increased/ decreased by 1% with all other variables held constant, construction profit for the year ended December 31, 2020 would have decreased by $433,294 or increased by $367,795 (the construction profit for the year ended December 31, 2019 would have decreased by $363,393 or increased by $474,150).

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	December 31, 2020	December 31, 2019
Cash on hand and revolving funds	$ 580	$ 500
Checking accounts and demand deposits	923,051	2,043,630
Time deposits	314,214	2,078,233
	$ 1,237,845	$ 4,122,363

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The Group has no cash and cash equivalents pledged to others.

(2) Accounts receivable, net

	December 31, 2020	December 31, 2019
Construction receivables	$ 1,238,032	$ 1,303,160
Repair receivables	250,715	309,585
	1,488,747	1,612,745
Less: Allowance for doubtful accounts	(317,653)	(319,088)
	$ 1,171,094	$ 1,293,657
Accounts receivable - related parties	$ 23,833	$ 8,012

A. As of December 31, 2020 and 2019, accounts receivable was all from contracts with customers. And as of January 1, 2019, the balance of receivables from contracts with customers amounted to $1,219,789.

B. As at December 31, 2020 and 2019, with taking into account collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the Company' accounts receivable (including related parties) was $1,194,927 and $1,301,669, respectively.

C. As of December 31, 2020 and 2019, the Company's past due construction receivables amounted to $796,040 and $0, respectively, because the counterparty failed to fulfil the mutual agreements, and the payments were still under negotiation.

D. Information relating to credit risk is provided in Note 12(2).

(3) Inventories

	December 31, 2020		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 2,321,658	($ 42,173)	$ 2,279,485
Work in process and repair of goods	69,877	-	69,877
	$ 2,391,535	($ 42,173)	$ 2,349,362

	December 31, 2019		
	Cost	Allowance for valuation loss	Book value
Raw materials	$ 1,817,690	($ 45,288)	$ 1,772,402
Work in process and repair of goods	52,190	-	52,190
	$ 1,869,880	($ 45,288)	$ 1,824,592

The amount of inventories recognised as expense for the years ended December 31, 2020 and 2019 is as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Raw materials costs	$ 12,440,589	$ 6,885,350
(Gain) loss from reversal of obsolete inventories	(3,115)	11,295
	$ 12,437,474	$ 6,896,645

The Group reversed a previous inventory write-down and accounted for this transaction as a reduction of expenses because the related inventory items were scrapped or sold in 2020.

(4) Prepayments

	December 31, 2020	December 31, 2019
Prepayments of suppliers	$ 9,836,976	$ 5,224,592
Excess VAT paid	5,811	5,050
Other prepayments	60,015	39,963
	$ 9,902,802	$ 5,269,605

(5) Investments accounted for under equity method

A. Details of investments accounted for under equity method are as follows:

	2020	2019
At January 1	$ 29,408	$ 10,992
Additional investments accounted for using the equity method	1,050,000	49,500
Share of profit or loss of investments accounted for using the equity method	(19,975)	(31,084)
At December 31	$ 1,059,433	$ 29,408

	December 31, 2020	December 31, 2019
Associates:		
Taiwan International Windpower Training Corporation Ltd. (Note 1)	$ 10,911	$ 10,570
Taiwan Offshore Wind Farm Services Corporation (Note 2)	-	-
Fuhai Wind Farm Corporation (Note 3)	-	-
Joint Ventures:		
CSBC - DEME Wind Engineering Co., Ltd. (Note 4)	1,048,522	18,838
	$ 1,059,433	$ 29,408

Note 1: On May 11, 2018, with reporting to the Board of Directors for future reference, the Group, Taiwan International Ports Corporation, Ltd. and other companies jointly established Taiwan International Windpower Training Corporation Ltd. for investment. The Group owns 12% of the investee's share capital and one seat in the Board of Directors of the investee.

Note 2: On March 21, 2014, the Board of Directors has resolved that the Group and Taiwan Generations Corporation would jointly establish Taiwan Offshore Wind Farm Services Corporation. The Company has acquired 40% of share capital in September 2014. The Group has ceased recognising its share of losses in this company since the fourth quarter of 2018 and the unrecognised share of losses in associate for the year ended December 31, 2020 and accumulated share of losses in associate amounted to $2,952 and $6,856, respectively.

Note 3: On August 9, 2016, the Board of Directors resolved to invest in Fuhai Wind Farm Corporation and obtained 37.97% of ownership shares. The Group has ceased recognising its share of losses in this company since the third quarter of 2017 and the unrecognised share of losses in associate for the year ended December 31, 2020 and accumulated share of losses in associate amounted to $16,271 and $74,953, respectively.

Note 4: On September 12, 2018, the Company's Board of Directors resolved to jointly invest in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. (formerly named GeoSea N.V.). The Group held 50.0001% equity interests in CSBC-DEME Wind Engineering Co., Ltd., and the Board of Directors adopts unanimity rule to make resolutions under the Company's Articles of Incorporation.

On January 15, 2020, the Company's Board of Directors resolved to jointly increase investments in CSBC-DEME Wind Engineering Co., Ltd. with DEME Offshore Holding N.V. for building a marine installation vessel in order to implement maritime engineering business. CSBC-DEME Wind Engineering Co., Ltd. completed the capital increase approximately to $2.1 billion (approximately EUR 62.5 million). The Company subscribed 10,606,060 shares, equivalent to $1,050,000, according to its shareholding ratio.

B. The Group's share of the operating results in all individually immaterial associates are summarized below:

	Years ended December 31,	
	2020	2019
(Gain) loss for the year from continuing operations	$ 341	($ 422)
Other comprehensive income - net of tax	-	-
Total comprehensive income (loss)	$ 341	($ 422)

C. Share of the operating results of the Group's individually immaterial joint ventures is summarised below:

	Years ended December 31,	
	2020	2019
Loss for the year from continuing operations	($ 20,316)	($ 30,662)
Other comprehensive income - net of tax	-	-
Total comprehensive loss	($ 20,316)	($ 30,662)

D. The Group had impairment loss in investments accounted for using equity method as the carrying amount exceeds recoverable amount. As of December 31, 2020 and 2019, the accumulated impairment loss amounted to $124,915 for both years.

(6) Property, plant and equipment

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1, 2020									
Cost	$6,096,033	$ 1,118,703	$ 7,527,803	$ 10,096,508	$ 1,556,676	$ 1,073,756	$ 152,524	$ 252,834	$27,874,837
Accumulated depreciation and impairment	-	(749,143)	(6,581,473)	(8,075,290)	(623,860)	(779,867)	(109,692)	-	(16,919,325)
	$6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$10,955,512
2020									
Opening net book amount as at January 1	$6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$10,955,512
Additions	-	-	-	4,055	250	-	371	960,622	965,298
Disposals - costs	-	-	(4,595)	(125,706)	(5,604)	-	(5,096)	-	(141,001)
Reclassifications - costs (Note)	(2,092)	28,986	178,439	322,195	34,446	-	2,907	(566,973)	(2,092)
Depreciation charge	-	(42,721)	(108,412)	(303,092)	(71,183)	(48,744)	(11,301)	-	(585,453)
Disposals - accumulated depreciation	-	-	4,595	123,515	5,600	-	5,094	-	138,804
Closing net book amount as at December 31	$6,093,941	$ 355,825	$ 1,016,357	$ 2,042,185	$ 896,325	$ 245,145	$ 34,807	$ 646,483	$11,331,068
At December 31, 2020									
Cost	$6,093,941	$ 1,147,689	$ 7,701,647	$ 10,297,052	$ 1,585,768	$ 1,073,756	$ 150,706	$ 646,483	$28,697,042
Accumulated depreciation and impairment	-	(791,864)	(6,685,290)	(8,254,867)	(689,443)	(828,611)	(115,899)	-	(17,365,974)
	$6,093,941	$ 355,825	$ 1,016,357	$ 2,042,185	$ 896,325	$ 245,145	$ 34,807	$ 646,483	$11,331,068

	Land	Land improvements	Buildings and structures	Machinery and equipment	Transportation equipment	Leasehold improvements	Other equipment	Construction in progress	Total
At January 1, 2019									
Cost	$6,096,033	$ 999,572	$ 7,643,527	$ 9,969,128	$ 942,466	$ 1,073,622	$ 147,429	$ 509,722	$27,381,499
Accumulated depreciation and impairment	-	(709,693)	(6,669,655)	(8,013,082)	(575,893)	(731,133)	(100,720)	-	(16,800,176)
	$6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$10,581,323
2019									
Opening net book amount as at January 1	$6,096,033	$ 289,879	$ 973,872	$ 1,956,046	$ 366,573	$ 342,489	$ 46,709	$ 509,722	$10,581,323
Additions	-	-	-	20,359	1,676	134	1,660	950,950	974,779
Disposals - costs	-	(1,140)	(210,994)	(251,593)	(11,525)	-	(2,289)	-	(477,541)
Reclassifications - costs (Note)	-	120,271	95,270	358,614	624,059	-	5,724	(1,207,838)	(3,900)
Depreciation charge	-	(40,475)	(104,544)	(287,622)	(59,491)	(48,734)	(11,223)	-	(552,089)
Disposals - accumulated depreciation	-	1,025	192,726	225,414	11,524	-	2,251	-	432,940
Closing net book amount as at December 31	$6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$10,955,512
At December 31, 2019									
Cost	$6,096,033	$ 1,118,703	$ 7,527,803	$ 10,096,508	$ 1,556,676	$ 1,073,756	$ 152,524	$ 252,834	$27,874,837
Accumulated depreciation and impairment	-	(749,143)	(6,581,473)	(8,075,290)	(623,860)	(779,867)	(109,692)	-	(16,919,325)
	$6,096,033	$ 369,560	$ 946,330	$ 2,021,218	$ 932,816	$ 293,889	$ 42,832	$ 252,834	$10,955,512

Note: The reclassifications to investment property and related information is provided in Note 6(9).

A. Amount of borrowing costs capitalised as part of property, plant and equipment are as follows:

	Years ended December 31,	
	2020	2019
Amount capitalised	$ 1,302	$ 2,692
Interest rate	0.01%~2.00%	0.88%~2.30%

B. Significant components and the useful lives of land improvements, buildings, and machinery equipment of the Group are as follows:

(a) The significant components of land improvements include construction expenses for wharf, which are depreciated over 45 years.

(b) The significant components of buildings include shipyard, plants and warehouse, and office buildings, which are depreciated over 40, 45 and 60 years, respectively.

(c) The significant components of machinery equipment include hoisting machine, crane and substation as well as welding machine and working platform, which are depreciated over 25, 20 and 10 years, respectively.

C. The Group's property, plant and equipment all were acquired for self-use and were not pledged to others as collateral.

(7) Lease transactions－lessee

A. The Group leases various assets including land, buildings and terminal equipment. Rental contracts are typically made for periods of 3 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes and may not affect the ownership of the lessor.

B. The carrying amount of right-of-use assets and the depreciation charge are as follows:

	December 31, 2020	December 31, 2019
	Book value	Book value
Land	$ 3,174,580	$ 3,460,728
Buildings and structures	92,004	102,842
Transportation equipment (terminal equipment)	234,360	241,893
	$ 3,500,944	$ 3,805,463

	Years ended December 31,	
	2020	2019
	Depreciation expense	Depreciation expense
Land	$ 164,179	$ 168,378
Buildings and structures	13,144	12,792
Transportation equipment (terminal equipment)	68,638	56,574
	$ 245,961	$ 237,744

C. For the years ended December 31, 2020 and 2019, the additions to right-of-use assets were $57,645 and $5,268, respectively.

D. Information on profit or loss in relation to lease contracts is as follows:

	Years ended December 31,	
	2020	2019
Items affecting profit or loss		
Interest expense on lease liabilities	$ 44,218	$ 47,572
Expense on short-term lease contracts	18,523	14,348
Expense on leases of low-value assets	630	738
	$ 63,371	$ 62,658

E. For the years ended December 31, 2020 and 2019, the Group's total cash outflow for leases were $292,034 and $277,352, respectively.

F. Variable lease payments

Some of the Group's lease contracts contain variable lease payment terms that are linked to construction cost index and announced land value. The Group remeasured and decreased lease liabilities by $116,203, and made a corresponding adjustment to the right-of-use assets.

G. The Group has applied the practical expedient to "Covid-19-related rent concessions", and recognised the gain from changes in lease payments arising from the rent concessions amounting to $10,447 for the year 2020 as other income.

(8) Leasing arrangements – lessor

A. The Group leases various assets including land and buildings. Rental contracts are typically made for periods of 2 and 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. To secure the use of the leased assets, the leased assets may not be used to sublease, sublet, lend, donate, sell or grant to others under any method.

In addition, the Group leases rooftop of its plants for lessees to install solar photovoltaic power generation equipment. Rental contracts are typically made for periods of 20 years. Lease payments consist of fixed base rent and variable operating rent.

B. For the years ended December 31, 2020 and 2019, the Group recognised rent income in the amounts of $20,677 and $9,975, respectively, based on the operating lease agreement, in which the amounts of variable lease payments were not material.

C. The maturity analysis of the lease payments under the operating leases is as follows:

	December 31, 2020	December 31, 2019
Less than 1 year	$ 26,759	$ 6,222
Later than 1 year but not later than 5 years	126,002	4,301
Later than 5 years	340,841	-
	$ 493,602	$ 10,523

(9) Investment property, net

	Land		Buildings and structures		Total
At January 1, 2020					
Cost	$	200,486	$ 29,745	$	230,231
Accumulated depreciation and impairment		-	(18,725)	(	18,725)
	$	200,486	$ 11,020	$	211,506
2020					
Opening net book amount as at January 1	$	200,486	$ 11,020	$	211,506
Additions - from subsequent expenditures (Note)		2,092	-		2,092
Depreciation charge		-	(680)	(	680)
Closing net book amount as at December 31	$	200,486	$ 10,340	$	212,918
At December 31, 2020					
Cost	$	200,578	$ 29,745	$	230,323
Accumulated depreciation and impairment		-	(19,405)	(	19,405)
	$	200,578	$ 10,340	$	210,918

	Land		Buildings and structures		Total
At January 1, 2019					
Cost	$	200,486	$ 25,845	$	226,331
Accumulated depreciation and impairment		-	(18,169)	(	18,169)
	$	200,486	$ 7,676	$	208,162
2019					
Opening net book amount as at January 1	$	200,486	$ 7,676	$	208,162
Additions - from subsequent expenditures (Note)		-	3,900		3,900
Depreciation charge		-	(556)	(	556)
Closing net book amount as at December 31	$	200,486	$ 11,020	$	211,506
At December 31, 2019					
Cost	$	200,486	$ 29,745	$	230,231
Accumulated depreciation and impairment		-	(18,725)	(	18,725)
	$	200,486	$ 11,020	$	211,506

Note: The reclassifications from property, plant and equipment and related information is provided in Note 6(6).

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	Years ended December 31, 2020	Years ended December 31, 2019
Rental income from the lease of the investment property	$ 20,677	$ 9,975
Direct operating expenses arising from the investment property that generate rental income in the period	$ 1,300	$ 1,372
Direct operating expenses arising from the investment property that did not generate rental income in the period	$ -	$ -

B. The fair value of the investment property held by the Group as at December 31, 2020 and 2019 were $672,686 and $651,134, respectively, which was revalued by independent valuers. Valuations were made using the comparison method, cost method for land development analysis and the income approach.

(10) Intangible assets

Software:	Years ended December 31, 2020	Years ended December 31, 2019
At January 1		
Cost	$ 24,697	$ 49,854
Accumulated amortisation and impairment	(14,576)	(35,243)
	$ 10,121	$ 14,611
Opening net book amount as at January 1	$ 10,121	$ 14,611
Additions - acquired separately	27,065	11,668
Disposals - costs	(16,893)	(36,825)
Amortisation charge	(15,710)	(16,158)
Disposals - accumulated amortisation	16,893	36,825
Closing net book amount as at December 31	$ 21,476	$ 10,121
At December 31		
Cost	$ 34,869	$ 24,697
Accumulated amortisation and impairment	(13,393)	(14,576)
	$ 21,476	$ 10,121

Details of amortisation on intangible assets are as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Operating costs	$ 15,700	$ 16,148
Administrative expenses	10	10
	$ 15,710	$ 16,158

(11) Short-term loans

Type of loans	December 31, 2020	Interest rate range	Collateral
Bank loans			
Unsecured loans	$ 5,267,100	0.85%～1.40%	None
Procurement unsecured loans	12,046	0.42%～1.40%	None
	$ 5,279,146		

Type of loans	December 31, 2019	Interest rate range	Collateral
Bank overdrafts	$ 1,954	1.57%	None
Bank loans			
Unsecured loans	1,800,000	0.91%～1.06%	None
Procurement unsecured loans	20,407	0.40%～2.53%	None
	$ 1,822,361		

(12) Short-term notes and bills payable

	December 31, 2020	December 31, 2019
Commercial papers payable	$ 2,700,000	$ 1,700,000
Less: Unamortized discount	(595)	(437)
	$ 2,699,405	$ 1,699,563
Annual interest rates	0.33%～0.82%	0.61%～0.84%

The above commercial paper payables are guaranteed and issued by MEGA Bills Finance Co., Ltd., Ta Ching Bills Finance Corporation, China Bills Finance Corporation, International Bill Finance Corporation, Taiwan Finance Corporation and First Commercial Bank Co., Ltd.

(13) Financial liabilities at fair value through profit or loss

Items	December 31, 2020	December 31, 2019
Non-current items:		
Financial liabilities designated as at fair value through profit or loss		
Call and put options embedded in convertible bonds	$ 17,744	$ -
Valuation adjustment	(11,749)	-
	$ 5,995	$ -

A. Information about the amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss is provided in Note 6(26).

B. Information about the terms of the first domestic secured convertible bonds issued by the Company is provided in Note 6(16).

(14) Other payables

	December 31, 2020	December 31, 2019
Accrued expenses	$ 1,235,342	$ 1,118,546
Construction payment refund	63,755	45,905
Others	29,806	28,535
	$ 1,328,903	$ 1,192,986

(15) Provisions

	Warranty	Onerous contracts	Total
At January 1, 2020	$ 499,487	$ 1,118,097	$ 1,617,584
Additional provisions	118,179	1,482,087	1,600,266
Used during the year	(85,735)	(1,812,824)	(1,898,559)
Unused amounts reversed	(19,598)	(6,931)	(26,529)
At December 31, 2020	$ 512,333	$ 780,429	$ 1,292,762

The analysis of provisions is as follows:

	December 31, 2020	December 31, 2019	January 1, 2019
Realised in one year	$ 447,495	$ 732,693	$ 547,519
Realised after one year	845,267	884,891	1,980,040
	$ 1,292,762	$ 1,617,584	$ 2,527,559

A. Provision for warranty

The Group gives warranties on contracts revenue in relation to shipbuilding, vessel construction and anti-corrosion coating. Provision for warranty is estimated based on historical warranty data of products.

B. Provision for onerous contract

Under the irrevocable contracts of shipbuilding, vessel construction and anti-corrosion coating, the Group's estimated provision for onerous contract is the difference between the inevitable cost of existing obligations to be performed in the future and the expected economic benefits from the contracts. The estimated provision may change with the actual construction situation.

(16) Bonds payable

	December 31, 2020	December 31, 2019
The first domestic secured convertible bonds	$ 1,998,400	$ -
Less: Discount on bonds payable	(66,099)	-
	1,932,301	-
Less: Expiring within one year (shown as 'long-term liabilities, current portion')	-	-
	$ 1,932,301	$ -

A. The issuance of domestic convertible bonds by the Company

(a) The terms of the first domestic secured convertible bonds issued by the Company are as follows:

i. The Company issued $2 billion, 0% first domestic secured convertible bonds, as approved by the regulatory authority. The bonds mature 5 years from the issue date (February 24, 2020 ~ February 24, 2025).

The bonds will be redeemed in cash at face value at the maturity date. The bonds were listed on the Taipei Exchange on February 24, 2020.

ii. The bondholders have the right to ask for conversion of the bonds into common shares of the Company during the period from the date after three month of the bonds issue (May 25, 2020) to the maturity date, except for the stop transfer period as specified in the terms of the bonds or the laws/regulations. The rights and obligations of the new shares converted from the bonds are the same as the issued and outstanding common shares.

iii. The conversion price of the bonds is set up based on the pricing model in the terms of the bonds. The conversion price is $25.1 (in dollars) per share, and is subject to adjustments if the condition of the anti-dilution provisions occurs subsequently. The conversion price will be recalculated based on the pricing model in the terms of the bonds on each effective date regulated by the terms. If the recalculated conversion price is lower than the conversion price before the recalculation, the conversion price will be adjusted; however, it will not be adjusted if it is higher.

iv. The Company may notify to repurchase all the bonds outstanding in cash at the bonds' face value within 30 trading days after the closing price of the Company's common shares is above the then conversion price by at least 30% for 30 consecutive trading days during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

Alternatively, the Company may repurchase the bonds outstanding in cash at the bonds' face value at any time if the outstanding balance of the bonds is less than 10% of total initial issue amount during the period from the date after three months of the bonds issue (May 25, 2020) to 40 days before the maturity date (January 15, 2025).

v. The bonds set the date after four years from the issue date (February 24, 2024) as the put effective date for the bondholders to early put the bonds back to the Company. The bondholders have the right to require the Company to redeem the bonds in cash at 102.0151% of the bonds' face value (a yield to put of 0.5%)

vi. Under the terms of the bonds, all bonds redeemed (including bonds repurchased from the Taipei Exchange), matured and converted are retired and not to be re-issued; all rights and obligations attached to the bonds are also extinguished.

(b) As of December 31, 2020, the bonds with a face value of $1,600 have been converted into 64 thousand common shares, and the Company did not adjust the conversion price.

B. Regarding the issuance of convertible bonds, the equity conversion options amounting to $96,153 were separated from the liability component and were recognised in 'capital surplus - share options' in accordance with IAS 32. The call options and put options embedded in bonds payable were separated from their host contracts and were recognised in 'financial assets or liabilities at fair value through profit or loss' in net amount in accordance with IFRS 39 because the economic characteristics and risks of the embedded derivatives were not closely related to those of the host contracts. The effective interest rates of the bonds payable after such separation was 0.8084%.

(17) Long-term borrowings, net of current portion

	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2020
Long-term bank borrowings				
Unsecured borrowings				
Bank of Taiwan	Borrowing period is from Jun. 22, 2017 to Jun. 22, 2022; principal is repayable in 4 installments beginning in the 4th year.	1.18%	None	$ 1,500,000
Taiwan Business Bank	Borrowing period is from Mar. 12, 2018 to Mar. 12, 2023; principal is repayable in 5 installments after 2.5 years.	1.05%	None	700,000
				2,200,000
Commercial papers payable				
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 26, 2020 to Dec. 15, 2022. Details are set out below.	0.60%	None	1,000,000
China Bills Finance Corporation	Borrowing period is from Jun. 26, 2020 to Oct. 26, 2022. Details are set out below.	0.56%	None	850,000
Taishin International Bank	Borrowing period is from Jun. 21, 2020 to Dec. 20, 2022. Details are set out below.	0.43%	None	800,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2020 to Jun. 21, 2022. Details are set out below.	0.51%	None	350,000
Less: Discount on commercial papers payable				(1,430)
				2,998,570
				5,198,570
Less: Long-term borrowings, current portion				(1,280,000)
				$ 3,918,570

	Borrowing period and repayment term	Interest rate range	Collateral	December 31, 2019
Long-term bank borrowings				
Unsecured borrowings				
Bank of Taiwan	Borrowing period is from Jun. 22, 2017 to Jun. 22, 2022; principal is repayable in 4 installments beginning in the 4th year.	1.36%	None	$ 2,000,000
Taiwan Business Bank	Borrowing period is from Mar. 12, 2018 to Mar. 12, 2023; principal is repayable in 5 installments after 2.5 years .	1.30%	None	700,000
				2,700,000
Commercial papers payable				
China Bills Finance Corporation	Borrowing period is from Sep. 26, 2017 to Oct. 27, 2021. Details are set out below.	0.66%	None	1,000,000
Mega Bills Finance Co., Ltd.	Borrowing period is from Sep. 26, 2017 to Oct. 15, 2021. Details are set out below.	0.72%	None	1,000,000
Taishin International Bank	Borrowing period is from Jun. 22, 2017 to Dec. 20, 2021. Details are set out below.	0.68%	None	800,000
International Bills Finance Corporation	Borrowing period is from Jun. 22, 2017 to Jun. 22, 2021. Details are set out below.	0.63%	None	350,000
Less: Discount on commercial papers payable				(2,228)
				3,147,772
				5,847,772
Less: Long-term borrowings, current portion				(500,000)
				$ 5,347,772

The Group entered into an agreement for recurring issuance (maturity of 60~180 days) of certificates and dealership of commercial papers with the bill finance companies. During the contract term of 2 ~ 4 years, the Group is only liable for the service fees and interest and thus the commercial papers payable is included in long-term borrowings. Both parties shall renegotiate the agreement when the agreement matures.

(18) Deferred revenue

A. The Republic of China Government started to promote privatization starting from 2008. The Privatization Fund, Executive Yuan, would provide a loan in the amount of $1,500,000 to cover a portion of the shortfall to settle the pension and severance obligation as a result of the privatization. The Group was required to repay the loan to the Privatization Fund in a period of ten years, under the condition that the Company is profitable. The Company extended the repayment period to 2026 as approved by the Executive Yuan. The Group uses the average long-term loan interest rate on the loan for discounting. The discounted values are recorded under “long-term notes payable and payables”. The difference between the discounted value and the amount received is listed in “deferred revenue”. The amounts that are payable within one year are listed in “other financial liabilities-current”. The unamortised amounts are shown below:

	December 31, 2020		December 31, 2019	
Long-term notes and accounts receivable	$	693,347	$	681,757
Long-term deferred revenue		48,153		59,743
	$	741,500	$	741,500

B. Government grants and interest expenses that should be amortised are recognised under ‘other revenue’ and ‘finance costs’, respectively, for the years December 31, 2020 and 2019. For more information, please refer to Notes 6(25) and (27).

(19) Pension

A. (a)The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 15% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. The Company has assessed that the balance is sufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year.

(b)The amounts recognised in the balance sheet are as follows:

	December 31, 2020	December 31, 2019
Present value of funded obligations	($ 1,751,981)	($ 1,666,395)
Fair value of plan assets	1,748,580	1,623,965
Net defined benefit liability	($ 3,401)	($ 42,430)

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2020			
Balance at January 1	($ 1,666,395)	$ 1,623,965	($ 42,430)
Current service cost	(151,960)	-	(151,960)
Interest (expense) income	(24,575)	29,062	4,487
	(1,842,930)	1,653,027	(189,903)
Remeasurements:			
Return on plan assets	-	35,542	35,542
Experience adjustments	30,960	-	30,960
	30,960	35,542	66,502
Pension fund contribution	-	120,000	120,000
Paid pension	59,989	(59,989)	-
Balance at December 31	($ 1,751,981)	$ 1,748,580	($ 3,401)

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2019			
Balance at January 1	($ 1,576,173)	$ 1,481,805	($ 94,368)
Current service cost	(158,480)	-	(158,480)
Interest (expense) income	(27,223)	26,739	(484)
	(1,761,876)	1,508,544	(253,332)
Remeasurements:			
Return on plan assets	-	39,150	39,150
Change in financial assumptions	(4,509)	-	(4,509)
Experience adjustments	56,261	-	56,261
	51,752	39,150	90,902
Pension fund contribution	-	120,000	120,000
Paid pension	43,729	(43,729)	-
Balance at December 31	($ 1,666,395)	$ 1,623,965	($ 42,430)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. If the earnings is less than aforementioned rates, government shall make payment for the deficit after being authorized by the Regulator. The Company has no right to participate in managing and operating that fund and hence the Company is unable to disclose the classification of plan asset fair value in accordance with IAS 19 paragraph 142. The composition of fair value of plan assets as of December 31, 2020 and 2019 is given in the Annual Labor Retirement Fund Utilisation Report announced by the government.

(e) The principal actuarial assumptions used were as follows:

	Years ended December 31,	
	2020	2019
Discount rate	1.50%	1.50%
Future salary increases	3.25%	3.25%

Future mortality rate is estimated with 70% of the 3rd Taiwan Standard Ordinary Experience Mortality Table. The disability rate is set based on 10% of mortality rate.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis was as follows:

	Discount rate		Future salary increases	
	Increase 0.25%	Decrease 0.25%	Increase 0.25%	Decrease 0.25%
Effect on present value of defined benefit obligation				
December 31, 2020	($ 37,367)	($ 38,514)	$ 33,584	($ 32,814)
December 31, 2019	($ 38,081)	$ 39,320	$ 34,600	($ 33,750)

The sensitivity analysis above is based on other conditions thate are unchanged but only one assumption is changed. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculating net pension liability in the balance sheet are the same.

(f) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2021 amount to $126,785.

(g) As of December 31, 2020, the weighted average duration of the defined benefit obligations is 8 years. The distribution of the present value of expected defined benefit obligations (within 10 years) is as follows:

For the year ended December 31, 2021	$	95,172
For the year ended December 31, 2022		107,393
For the year ended December 31, 2023		1,750,686
For the year ended December 31, 2024		1,770,345
For the year ended December 31, 2025		1,777,262
For the year ended December 31, 2026		1,732,156
For the year ended December 31, 2027		1,714,853
For the year ended December 31, 2028		1,581,594
For the year ended December 31, 2029		1,230,401
For the year ended December 31, 2030		796,713

Note: The same person who meets the retirement conditions will calculate the present value of expected defined benefit obligations in each subsequent year until he/she meets the mandatory retirement age of 65.

B. Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the “New Plan”) under the Labor Pension Act (the “Act”), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees’ monthly salaries and wages to the employees’ individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The pension costs under the defined contribution pension plans of the Group for the years ended December 31, 2020 and 2019 were $102,958 and $104,491, respectively.

(20) Analysis of assets and liabilities

Assets and liabilities of the Group related to the business of shipbuilding, vessel building, major machinery and ship repair, are classified as current or non-current based on the operating cycle. However, such assets and liabilities were analyzed on "one year" basis as follows:

	Less than 12 months	More than 12 months	Total
December 31, 2020			
Assets	$ 4,519,978	$ 3,527	$ 4,523,505
Contract assets (including related parties)	1,189,947	-	1,189,947
Accounts receivable, net (including related parties)	2,349,362	-	2,349,362
Inventories, net	$ 8,059,287	$ 3,527	$ 8,062,814
Liabilities			
Contract liabilities (including related parties)	$ 456,751	$ 6,242,039	$ 6,698,790
Notes payable (including related parties)	119,692	-	119,692
Accounts payable	1,478,280	-	1,478,280
Provision for liabilities	447,278	841,400	1,288,678
	$ 2,502,001	$ 7,083,439	$ 9,585,440

	Less than 12 months	More than 12 months	Total
December 31, 2019			
Assets	$ 5,580,023	$ 7,110	$ 5,587,133
Contract assets (including related parties)	1,298,696	-	1,298,696
Accounts receivable, net (including related parties)	1,824,592	-	1,824,592
Inventories, net	$ 8,703,311	$ 7,110	$ 8,710,421
Liabilities			
Contract liabilities (including related parties)	$ 645,195	$ 8,053,779	$ 8,698,974
Notes payable (including related parties)	285,404	-	285,404
Accounts payable	984,564	-	984,564
Provision for liabilities	731,482	884,015	1,615,497
	$ 2,646,645	$ 8,937,794	$ 11,584,439

(21) Common stock

A. As of December 31, 2020, the Company's authorised capital was $11,138,997, consisting of 1,113,899.7 thousand shares of ordinary stock and the paid-in capital was $4,730,555 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

Movements in the number of the Company's ordinary shares outstanding are as follows:

		Shares in thousands
	2020	2019
At January 1	472,992	372,992
Cash capital increase	-	100,000
Conversion of corporate bonds	64	-
At December 31	473,056	472,992

B. For the year ended December 31, 2020, the number of common stocks converted from convertible bonds was 64 thousand shares. As of the date of auditors' report, the registrations have not yet been completed.

C. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on November 11, 2020, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1090378803, dated January 15, 2021. The Company issued 450 million common stocks at an issue price of $17.5 (in dollars) per share. The rights and obligations of shares issued at this capital increase are the same as the original common stocks. As of the date of auditors' report, the capital increase is still in process.

D. The Company's special shareholders' meeting has approved the proposal regarding the capital increase through private placement on December 21, 2017. The record date for capital increase resolved by the Board of Directors at their meeting on May 11, 2018 was May 25, 2018. The amount of capital raised through the private placement was $2,526,000 by issuing common stock amounting to 60 million shares at premium of $42.10 (in dollars) per share, of which the government related entity, Financing Investment Venture Capital, and the management committee of Yaohua Glass Corp., Ltd. each subscribed 30 million shares amounted to $1,263,000. The Company has completed the registration of the capital increase. The investors in this private placement is entitled to the same rights and obligations as those of outstanding shares except that they cannot freely transfer the shares within 3 years of settlement unless under certain circumstances pursuant to Article 43-8 of Securities and Exchange Act. Under the resolution, the Board of Directors are authorised to file for listing the ordinary shares in private placement with the competent authority after 3 years of settlement.

E. In order to fulfil its capital and repay the bank loans, as resolved by the Board of Directors on August 10, 2018, the Company conducted a public offering for cash capital increase by issuing common stock, which was approved by Financial Supervisory Commission pursuant to Jin-Guan-Zheng-Fa-Zi Letter No. 1070339392 dated November 19, 2018. The amount of capital raised was $2.252 billion by issuing common stock amounting to 100 million shares at a par value of $22.52 (in dollars) per share. In addition, the public offering completion date and record date for capital increase was January 31, 2019 and relevant registration procedures are still in process. The rights and obligations of shares issued at this capital increase are the same as the outstanding common stocks.

The abovementioned capital increase was subscribed by the Company's legal entity directors, CPC Corporation, Taiwan and China Steel Corporation's subsidiary, China Steel Express Corporation, in the amount of $89,645 and $35,121, equivalent to 3,981 thousand shares and 1,560 thousand shares, respectively. In addition, the government related parties, National Defense Industrial Development Foundation, Yao Hua Glass Co., Ltd., Management Committee and Financing Investment Venture Capital participated in the capital increase in the amount of $563,000, $135,848 and $135,848, equivalent to 25,000 thousand shares, 6,032 thousand shares, and 6,032 thousand shares, respectively.

(22) Capital reserve

A. Pursuant to the R.O.C. Company Law, capital reserve arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital reserve to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital reserve should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2020			
	Share premium	Share options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	$ 1,329,550	$ -	$ 9,248	$ 1,338,798
Capital surplus used to offset accumulated deficits	(1,329,550)	-	(9,248)	(1,338,798)
Due to recognition of equity component of convertible bonds issued	-	96,153	-	96,153
Conversion of convertible bonds	995	(77)	-	918
At December 31	$ 995	$ 96,076	$ -	$ 97,071

	2019			
	Share premium	Share options	Difference between consideration and carrying amount of subsidiaries acquired or disposed	Total
At January 1	$ 1,926,000	$ 77,550	$ 1,965	$ 2,005,515
Cash capital increase	1,329,550	(77,550)	-	1,252,000
Capital surplus used to offset accumulated deficits	(1,926,000)	-	(1,965)	(1,927,965)
Transactions with non-controlling interest	-	-	9,248	9,248
At December 31	$ 1,329,550	$ -	$ 9,248	$ 1,338,798

B. Please refer to Note 6(16) for the information of capital surplus—share options.

C. The proposal for deficit compensation for the year ended December 31, 2019 was resolved by the stockholders at the regular stockholders' meeting on June 17, 2020. The Company planned to use 'capital surplus, additional paid-in capital arising from ordinary share' and 'capital surplus, difference between consideration and carrying amount of subsidiaries acquired or disposed' totalling $1,338,798 to cover the deficit. Also, please refer to Note 6(23) for the information of retained earnings.

(23) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve until the legal reserve equals the total capital stock balance. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company's dividend policy is summarized below:

As the Company operates in a volatile business environment and is in the stable growth stage, the residual dividend policy is adopted taking into consideration the Company's financial structure, operating results and future expansion plans. According to the dividend policy adopted by the Board of Directors, at least 10% of the Company's distributable earnings shall be appropriated as dividends, and cash dividends shall account for at least 10% of the total dividends distributed.

C. Except for covering accumulated deficit or increasing capital, the legal reserve shall not be used for any other purpose. Capitalization of the legal reserve is permitted, provided that the balance of the reserve exceeds 50% of the Company's paid-in capital and the amount capitalized does not exceed 25% of the balance of the reserve.

D. a) In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b) The amounts previously set aside by the Company as special reserve amounting to $3,201,365 on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

c) The Company disposed land in 2013 and 2018. Therefore, the Company reversed special reserve of $34,894 to undistributed earnings.

E. The proposal for deficit compensation for the year ended December 31, 2018 was resolved by the stockholders at the regular stockholders' meeting on June 26, 2019. Dividends will not be distributed to stockholders due to the deficit compensation. Additionally, the deficit will be covered by using the legal reserve, 'capital surplus, additional paid-in capital arising from ordinary share' and 'capital surplus, other donated assets received' totalling $2,993,262.

The proposal for deficit compensation for the year ended December 31, 2019 was resolved by the stockholders at the regular stockholders' meeting on June 17, 2020. Dividends will not be distributed to stockholders due to the deficit compensation. Also, please refer to Note 6(22) for the information of capital surplus.

On March 18, 2021, the Board of Directors has proposed the deficit compensation for year 2020.

(24) Operating revenue

	Years ended December 31, 2020	2019
Revenue from contracts with customers	$ 25,191,199	$ 16,540,899
Others - ship rental revenue	105,430	-
	$ 25,296,629	$ 16,540,899

The Group's operating revenue is from contracts with customers.

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time in the following major product types:

	Years ended December 31, 2020	2019
Construction of ships and vessels		
Shipbuilding	$ 7,374,458	$ 8,561,544
Vessel construction	15,327,666	6,741,681
	22,702,124	15,303,225
All other segments		
Ship/vessel repair	1,142,126	829,595
Machinery building	993,002	98,155
Anti-corrosion coating	264,877	291,966
Others	89,070	17,958
	2,489,075	1,237,674
	$ 25,191,199	$ 16,540,899

B. Contract assets and liabilities

The Group has recognised the following revenue-related contract assets and liabilities:

	December 31, 2020	December 31, 2019	January 1, 2019
Contract assets	$ 4,622,917	$ 4,910,129	$ 4,464,528
Contract assets - related parties	363,249	1,083,531	2,385,379
	4,986,166	5,993,660	6,849,907
Less: Loss allowance	(192,290)	(194,713)	(195,478)
	$ 4,793,876	$ 5,798,947	$ 6,654,429
Contract liabilities	$ 5,209,594	$ 8,670,827	$ 2,751,268
Contract liabilities - related parties	1,489,197	36,982	-
	$ 6,698,791	$ 8,707,809	$ 2,751,268

Please refer to Note 7 for related party transactions.

Revenue recognised that was included in the contract liability balance at the beginning of the period

The Group had a contract liability balance at the beginning of the period, of which $7,651,056 and $1,452,697 was recognised as revenue for the years ended December 31, 2020 and 2019, respectively.

C. As of December 31, 2020, the total transaction price allocated to unfulfilled contract obligations was $58,912,772 and this amount would be recognised as revenue gradually with the completion process of shipbuilding, vessel construction and anti-corrosion coating. The shipbuilding, vessel construction and anti-corrosion coating are expected to be completed during the period from January 2021 to October 2027.

(25) Other income

	Years ended December 31,	
	2020	2019
Government grant revenue (Note)	$ 381,680	$ 11,396
Rental revenue	20,677	9,975
Indemnity revenue	13,012	21,162
Others	16,559	58,806
	$ 431,928	$ 101,339

Note: The Group recognised income of $354,066 as a result of the application for the Salary and Working Capital Subsidies for Manufacturing Industry and its Technical Services Industry Suffered by Severe Pneumonia with Novel Pathogens (COVID-19) Handled by Industrial Development Bureau the Ministry of Economic Affairs. There was no such transaction for the year ended December 31, 2019.

(26) Other gains and losses

	Years ended December 31, 2020	Years ended December 31, 2019
Foreign exchange gains (losses)	$ 14,372	($ 47,377)
Gain (losses) on financial assets and liabilities at fair value through profit or loss	12,751	(108)
Losses on disposal of property, plant and equipment	(2,197)	(44,602)
Other losses	(34,022)	(33,420)
	($ 9,096)	($ 125,507)

(27) Finance costs

	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense:		
Bank loans	$ 100,145	$ 89,321
Amortisation on lease liabilities	44,218	47,572
Amortisation on convertible bonds	12,979	-
Expenses amortised from government grants payable	11,590	11,396
Less: Capitalisation of qualifying assets	(68,021)	(81,864)
	$ 100,911	$ 66,425

(28) Expenses by nature

	Years ended December 31, 2020	Years ended December 31, 2019
Change in inventory of finished goods and work in process	$ 2,361,305	$ 1,110,979
Direct materials	12,440,589	6,885,350
Employee benefit expense	3,582,929	3,653,707
Depreciation and amortisation charges	847,124	805,991
Professional service fees	1,820,399	2,561,748
Outsourcing fees	4,625,812	1,793,976
Other expenses	1,525,866	1,435,288
Operating costs and expenses	$ 27,204,024	$ 18,247,039

(29) Employee benefit expense

	Years ended December 31, 2020	Years ended December 31, 2019
Wages and salaries	$ 3,006,317	$ 3,062,588
Labor and health insurance fees	258,825	260,254
Pension cost	250,331	263,455
Directors' remuneration	3,470	3,079
Other personnel expenses	63,986	64,331
	$ 3,582,929	$ 3,653,707

A. According to the Articles of Incorporation of the Company, the Company shall distribute employees' compensation, based on the distributable profit of the current year, in a ratio of profit. Employees' compensation can be distributed in the form of shares or in cash. If a company has accumulated deficit, earnings should first be channeled to cover losses. Employees' compensation shall account for 1% to 5%, directors' remuneration shall account for less than 1%, of the amount of current year's pre-tax profit but excluding the employees' compensation and directors' remuneration.

B. The Company did not recognise employees' compensation and directors' renumeration as a result of the operating deficit for the years ended December 31, 2020 and 2019.

The Board of Directors resolved not to appropriate employees' compensation and directors' renumeration as a result of the operating deficit for the years ended December 31, 2020 and 2019.

Information about employees' compensation and directors' and supervisors' remuneration of the Company as resolved by the meeting of Board of Directors will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(30) Income tax expense

A. Income tax expense

(a) Components of income tax expense:

	Years ended December 31, 2020	Years ended December 31, 2019
Current tax:		
Current tax on profits for the year	$ 3,145	$ 4,829
Tax on undistributed surplus earnings	6	24
(Over) under provision of income tax in prior year	(212)	375
Total current tax	2,939	5,228
Deferred tax:		
Origination and reversal of temporary differences	(1,602)	1,380
Income tax expense	$ 1,337	$ 6,608

(b) The income tax (charge)/credit relating to components of other comprehensive income is as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Remeasurement of defined benefit obligations	$ 13,300	$ 18,180

B. Reconciliation between income tax expense and accounting profit:

	Years ended December 31, 2020	Years ended December 31, 2019
Tax calculated based on loss before tax and statutory tax rate	($ 319,750)	($ 361,782)
Tax exempt income by tax regulation	(72,747)	-
Effects from items disallowed by tax regulation	4,841	12,563
Taxable loss not recognised as deferred tax assets	389,199	355,428
Tax on undistributed surplus earnings	6	24
(Over) under provision of income tax in prior year	(212)	375
Income tax expense	$ 1,337	$ 6,608

C. Amounts of deferred tax assets or liabilities as a result of temporary difference and tax losses are as follows:

	2020			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	$ 223,619	($ 67,533)	$ -	$ 156,086
Unrealized warranty liability	99,897	2,570	-	102,467
Unused compensated absences payable	66,582	(1,918)	-	64,664
Allowance for doubtful accounts	62,982	(1,066)	-	61,916
Others	29,348	(830)	(13,300)	15,218
Tax losses	1,062,439	70,379	-	1,132,818
	1,544,867	1,602	(13,300)	1,533,169
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Total	$ 220,170	$ 1,602	($ 13,300)	$ 208,472

	2019			
	January 1	Recognised in profit or loss	Recognised in other comprehensive income	December 31
Deferred tax assets:				
Temporary differences:				
Estimation of construction loss	$ 462,353	($ 238,734)	$ -	$ 223,619
Unrealized warranty liability	42,934	56,963	-	99,897
Unused compensated absences payable	57,630	8,952	-	66,582
Allowance for doubtful accounts	100,640	(37,658)	-	62,982
Others	23,217	24,311	(18,180)	29,348
Tax losses	877,653	184,786	-	1,062,439
	1,564,427	(1,380)	(18,180)	1,544,867
Deferred tax liabilities:				
Unrealised land value incremental reserve	(1,324,697)	-	-	(1,324,697)
Total	$ 239,730	($ 1,380)	($ 18,180)	$ 220,170

D. Expiration dates of unused tax losses and amounts of unrecognised deferred tax assets are as follows:

December 31, 2020				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 671,021	$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	2,897,256	2027
2018	Assessed	2,577,518	2,577,518	2028
2019	Amount filed	2,657,346	2,657,346	2029
2020	Estimated filing amount	2,296,459	2,296,459	2030

December 31, 2019				
Year incurred	Amount filed/ assessed	Unused amount	Unrecognised deferred tax assets	Expiry year
2015	Assessed	$ 671,021	$ -	2025
2016	Assessed	1,190,142	-	2026
2017	Assessed	6,700,185	3,249,155	2027
2018	Amount filed	2,577,536	2,577,536	2028
2019	Estimated filing amount	2,724,654	2,724,654	2029

E. The Company’s income tax returns through 2018 have been assessed and approved by the Tax Authority. As of March 18, 2021, there was no administrative remedies.

(31) Losses per share

	Year ended December 31, 2020		
	Amount after tax	Weigthted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders	($ 1,600,087)	472,993	($ 3.38)

	Year ended December 31, 2019		
	Amount after tax	Weigthted average number of ordinary shares outstanding (shares in thousands)	Losses per share (in dollars)
Basic losses per share			
Loss attributable to ordinary shareholders	($ 1,818,470)	464,772	($ 3.91)

The Group’s convertible corporate bonds had anti-dilution effect for the year ended December 31, 2020; thus, they were not included in the calculation of diluted losses per share.

(32) Transactions with non-controlling interest

Acquisition of additional equity interest in a subsidiary

The Company acquired an additional 30% outstanding shares of CSBS Coating Solutions Co., Ltd. by cash on September 3, 2019. The carrying amount of non-controlling interest in CSBS Coating Solutions Co., Ltd. was $46,748 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest. The effect of changes in interests in CSBS Coating Solutions Co., Ltd. on the equity attributable to owners of the parent for the year ended December 31, 2019 is shown below:

	Year ended December 31, 2019
Carrying amount of non-controlling interest acquired	$ 46,748
Consideration paid to non-controlling interest	(37,500)
Capital surplus - difference between proceeds on actual acquisition of or disposal of equity interest in a subsidiary and its carrying amount	$ 9,248

For the year ended December 31, 2020, acquisition of additional equity interest in a subsidiary: None.

(33) Supplemental cash flow information

A. Investing activities with partial cash payments:

	Years ended December 31, 2020	Years ended December 31, 2019
Purchase of property, plant and equipment	$ 965,298	$ 974,779
Add：Beginning balance of payable on equipment	45,905	45,588
Less：Ending balance of payable on equipment	(63,755)	(45,905)
Cash paid on purchase of property, plant and equipment during the year	$ 947,448	$ 974,462

B. Investment and financing activities with no cash flow effects:

	Years ended December 31, 2020	Years ended December 31, 2019
Interest expense amortised from government grants	$ 11,590	$ 11,396
Increase in right-of-use assets	$ 57,645	$ 5,268
Less: Increase in lease liabilities	(57,645)	(5,268)
	$ -	$ -
Decrease in lease labilities due to remeasurement	$ 116,203	$ -
Less: Decrease in right-of-use assets	(116,203)	-
	$ -	$ -
Long-term liabilities, current portion	$ 1,280,000	$ 500,000

(34) Changes in liabilities from financing activities

	2020			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	$ 1,822,361	$ 3,456,785	$ -	$ 5,279,146
Short-term notes and bills payable	1,699,563	999,842	-	2,699,405
Corporate bonds payable	-	2,034,775	(102,474)	1,932,301
Long-term borrowings (including current portion)	5,847,772	(649,202)	-	5,198,570
Lease liability	3,828,513	(228,663)	(58,558)	3,541,292
Long-term notes and accounts payable	681,757	-	11,590	693,347
Long-term deferred revenue	204,981	-	(11,590)	193,391
Guarantee deposits received	247,941	35,451	-	283,392
Other non-current liabilities, others	824	19,304	-	20,128
	$ 14,333,712	$ 5,668,292	($ 161,032)	$ 19,840,972

	2019			
	January 1	Changes in cash flow from financing activities	Changes in non-cash items	December 31
Short-term borrowings	$ 1,290,150	$ 532,211	$ -	$ 1,822,361
Short-term notes and bills payable	-	1,699,563	-	1,699,563
Long-term borrowings (including current portion)	5,698,537	149,235	-	5,847,772
Lease liability	4,037,939	(214,694)	5,268	3,828,513
Long-term notes and accounts payable	670,361	-	11,396	681,757
Long-term deferred revenue	71,139	145,238	(11,396)	204,981
Guarantee deposits received	184,928	63,013		247,941
Other non-current liabilities, others	13,233	(12,409)	-	824
	$ 11,966,287	$ 2,362,157	$ 5,268	$ 14,333,712

7. RELATED PARTY TRANSACTIONS

(1) Names of related parties and relationship

Names of related parties	Relationship with the Group
CPC Corporation, Taiwan	The Company’s legal entity director
China Steel Corporation	The Company’s legal entity director
China Steel Express Corporation	Subsidiary of the Company’s legal entity director
China Steel Machinery Corporation	Subsidiary of the Company’s legal entity director
China Steel Structure Co., Ltd.	Subsidiary of the Company’s legal entity director
Sing Da Marine Structure Corporation	Subsidiary of the Company’s legal entity director
Taiwan International windpower Training Corporation Ltd.	Associate
Taiwan Generations Corporation	Associate
Fuhai Wind Farm Corporation	Associate
CSBC-DEME Wind Engineering Co., Ltd.	Joint venture
Yung Chi Paint & Varnish Mfg. Co., Ltd.	Note
Financing Investment Venture Capital	Government related entity
Yao Hua Glass Co.,Ltd. Management Committee	Government related entity
National Defense Industrial Development Foundation	Government related entity

Note: The company formerly held 30% equity interests in CSBS Coating Solutions Co., Ltd. However, all the 30% equity interest held by the company was sold to the Company in September 2019, and the company lost its influence over the subsidiary.

(2) Significant related party transactions and balances

A. Operating revenue

	Years ended December 31,	
	2020	2019
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	$ 214,075	$ 3,578,917
Sing Da Marine Structure Corporation	123,236	13,897
China Steel Machinery Corporation	11,491	6,722
China Steel Structure Co., Ltd.	279	575
Legal entity director		
CPC Corporation, Taiwan	34,436	17,758
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	302,453	-
	$ 685,970	$ 3,617,869

(a) The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

(b) In August and December 2017, the Group was commissioned by China Steel Express Corporation to build 4 208,000 DWT double hull bulk cargo steamers. The last cargo steamer was delivered on May 29, 2020. Please refer to items C and F for further information.

(c) On June 30, 2020, the Group entered into an agreement with CSBC-DEME Wind Engineering Co., Ltd. to build a heavy lift and installation vessel for its offshore wind power engineering. The Group has no unrealised gains or losses from undertaking this engineering. The expected delivery of the vessel is in October 2022. Please refer to item E for further information.

B. Purchases of goods

	Years ended December 31,	
	2020	2019
Purchases of goods:		
Key management:		
Legal entity director		
China Steel Corporation	$ 883,684	$ 1,767,880
CPC Corporation, Taiwan	99,785	99,768
Other related parties:		
Yung Chi Paint & Varnish Mfg. Co., Ltd.	-	3,067
	$ 983,469	$ 1,870,715

The price was based on the contract signed by both parties, and the collection terms were approximately the same as those to third parties.

C. Contract assets

	December 31, 2020	December 31, 2019
Key management:		
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	$ 173,059	$ 20,124
China Steel Express Corporation	-	872,477
China Steel Structure Co., Ltd.	-	575
China Steel Machinery Corporation	-	165
Associates :		
Fuhai Wind Farm Corporation (Note)	190,190	190,190
	363,249	1,083,531
Less: Loss allowance	(190,250)	(190,904)
	$ 172,999	$ 892,627

Note: In March 2014, the Group was commissioned by Fuhai Wind Farm Corporation (hereafter referred to as Fuhai) for the construction of a meteorological observation tower, offshore windfarm off the coast of Changhua County included in Changhua Offshore Pilot Project and Fuhai offshore windfarm for a total contract price of NT$32 billion. However, Bureau of Energy, MOEA decided to reject the development project in February 2018 because of the disapproved Environmental Impact Assessment. The Group has recognised impairment loss amounting to $190,190 since the contract assets may not be recovered as assessed.

D. Receivables from related parties

	December 31, 2020	December 31, 2019
Accounts receivable :		
Key management:		
Legal entity director		
CPC Corporation, Taiwan	$ 20,295	$ 6,286
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	3,360	-
China Steel Machinery Corporation	178	1,726
	23,833	8,012
Other receivables :		
Key management:		
Legal entity director		
China Steel Corporation	15,404	16,633
Subsidiary of the Company's legal entity director		
Sing Da Marine Structure Corporation	6,541	-
	21,945	16,633
	$ 45,778	$ 24,645

E. Prepaid accounts

	December 31, 2020	December 31, 2019
Key management:		
Legal entity director		
China Steel Corporation	$ 299,399	$ 485,906
CPC Corporation, Taiwan	15,280	8,540
	$ 314,679	$ 494,446

F. Contract liabilities

	December 31, 2020	December 31, 2019
Other related parties:		
Joint ventures		
CSBC-DEME Wind Engineering Co., Ltd.	$ 1,489,197	$ -
Key management:		
Subsidiary of the Company's legal entity director		
China Steel Express Corporation	-	36,982
	$ 1,489,197	$ 36,982

G. Payables to related parties

	December 31, 2020	December 31, 2019
Notes payable:		
Key management:		
Legal entity director		
China Steel Corporation	$ 111,592	$ 285,404

H. Acquisition of financial assets

(a) Information on the Group's joint investment in, and establishment and cash capital increase of, CSBC-DEME Wind Engineering Co., Ltd. is provided in Note 6(5).

(b) The Group acquired an additional 30% outstanding shares of the subsidiary, CSBS Coating Solutions Co., Ltd., from other related party, Yung Chi Paint & Varnish Mfg. Co., Ltd. The transfer of shares was completed in September 2019. Please refer to 6(32) for further information.

I. Others

(a) Details on capital increase from the related parties are provided in Note 6(21).

(b) The Company's joint venture, CSBC-DEME Wind Engineering Co., Ltd. signed a Zhang Fang and West Island Offshore Wind Farm Fan Transportation and Installation Plan on November 19, 2019. The Company and DEME Offshore are the joint contractors of the plan and issued performance letter of guarantee and advance payment guarantee with a total amount of EUR 13,237 thousand for contracting the construction according to their shareholding ratios. The Company issued bank guarantee amounting to $223 million (EUR 6,619 thousand) based on its shareholding ratio of 50.0001% in January 2020.

The total amount of aforementioned letters of guarantee was changed to EUR 12,945 thousand. In October 2020, the Company notified the bank to amend the bank guarantee amount to $219 million (EUR 6,472 thousand) based on its shareholding ratio.

(c) Information on significant Contingent Liabilities and Unrecognised Contract Commitments is provided in Note 9.

(3) Key management compensation

	Years ended December 31, 2020	Years ended December 31, 2019
Salaries and other short-term employee benefits	$ 24,451	$ 27,683
Post-employment benefits	2,622	3,935
	$ 27,073	$ 31,618

8. PLEDGED ASSETS

None.

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) The balance of the Group's unused letters of credit for import of materials is as follows:

	December 31, 2020	December 31, 2019
Balance of unused letters of credit	$ 2,359,193	$ 1,943,076

(2) The amounts of unfulfilled contract obligations of the Group's contracts are as follows:

	December 31, 2020	December 31, 2019
Unfulfilled customer contract obligations	$ 58,912,772	$ 73,273,144

(3) The guaranteed credit by banks for the Group's construction projects is as follows:

	December 31, 2020	December 31, 2019
Guaranteed credit by banks	$ 13,368,939	$ 10,273,605

Refer to Notes 7(2) I(b) for further information.

(4) The amount of the Group's purchase contracts and outsourcing construction contracts to be paid is as follows:

	December 31, 2020	December 31, 2019
Purchase contracts to be paid	$ 12,339,833	$ 17,839,179
Outsourcing construction contracts to be paid	3,431,104	4,157,080
	$ 15,770,937	$ 21,996,259

(5) As of December 31, 2020 and 2019, the amounts of guarantee notes issued by the Group for the bank borrowings were $450 million and $350 million, respectively.

(6) The Group, Century Iron and Steel Industrial Co., Ltd. and Taiwan Generations Corp. are the joint-originators for Fuhai Wind Farm Corporation (Fuhai Corporation). The joint-originators entered into the "Incentive Program of Offshore Wind Power Demonstration System" ("the Government Grant Scheme") on August 19, 2013, which was granted by the Ministry of Economic Affairs, and committed to be jointly responsible for Fuhai Corporation. The total amount of endorsement/ guarantee provided by the Group amounted to $886 million. On November 9, 2018, the Board of Directors of the Group during their meeting resolved to cease the endorsement/ guarantee amount to Fuhai Corporation.

Because Fuhai Wind Farm Corporation failed to comply with the regulation of the "Incentive Program of Offshore Wind Power Demonstration System", the Bureau of Energy exercised the right of performance bond and took back the entire government grant. Accordingly, the Group recognised losses amounting to $75,000 for the year ended December 31, 2018.

In addition, the Ministry of Economic Affairs claimed past due liquidated damages amounting to $ 88.6 million from Fuhai Corporation, as a joint-originator of the Incentive Program, the Group was committed to be jointly responsible for Fuhai Corporation. Currently, the case is still ongoing. According to the Group's designated lawyer, the Ministry of Economic Affairs has not indicated its intention of claiming the liquidated damages from the Group and the Group has not reached the payment stage, therefore, the Group did not estimate the possible losses on liquidated damages.

Fuhai Corporation alleged that the Group did not issue an incentive guarantee of offshore wind power demonstration system based on the Article 1 of Memorandum of Understanding which was signed under mutual agreement, whereby Fuhai Corporation could not apply a government grant of $0.1 billion from Bureau of Energy. Fuhai Corporation filed a lawsuit to claim an equal compensation for the $0.1 billion government grant. On March 24, 2020, the Taiwan Taipei District Court ruled in favour of the Group. Subsequently, Fuhai Corporation filed an appeal. The Group's designated lawyer believes that the claim is meritless. The case is currently pending with the Taiwan High Court.

(7) The ships under construction have all been insured with shipbuilding insurance. On September 14, 2016, Typhoon Meranti caused damages in a third party's property and thus claimed for compensation of approximately NT$806 million. On May 29, 2020, the Taiwan Kaohsiung District Court rendered a decision against the Group, and the Group is liable to pay compensation approximately $895 million (interest is calculated up until September 30, 2020). On June 23, 2020, the Group appealed to the second instance court. The case is currently pending with the court. According to the Group's designated lawyer, the aforementioned compensation is covered by the Group's relevant comprehensive insurance for shipbuilding and the second instance appeal filed by the Group for remedy has not yet been decided. Thus, the compensation payable due to the first instance's decision has no material impact to the Group's operation.

(8) The Group was commissioned by Fuhai Wind Farm Corporation for offshore wind power maritime engineering (details are provided in Note 7(2) C) and Zhongwei Wind Farm Corporation (Zhongwei Corporation) undertook the construction of the meteorological observation tower, self-elevating lifting platform for demonstration unit and demonstration wind farm, fan lifting and other constructions of the aforementioned engineering. Zhongwei Corporation claimed that the Group did not notify them the performance date leading to their damages and informed the Group to pay US$ 2.5 million to compensate their losses. The Group disagreed with the claim since Zhongwei Corporation did not meet the requirements of payment terms in the contract and Zhongwei Corporation filed a lawsuit in Taiwan Kaohsiung District Court. On December 17, 2019, the Taiwan Kaohsiung District Court rendered a civil ruling to dismiss this case due to the claim made by Zhongwei Corporation was unjustified. On February 3, 2021, the Taiwan High Court Kaohsiung Branch Court has dismissed both the claim and the additional claim filed by the Zhongwei Corporation.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 6(21) C for the information of share capital.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Following the industry practices, the Group uses gearing ratio to control capital.

The Group's policy is to maintain a stable gearing ratio. Ratios are as follows:

	December 31, 2020	December 31, 2019
Gearing ratio	87%	82%

(2) Financial instruments

A. Financial instruments by category

	December 31, 2020	December 31, 2019
Financial assets		
Financial assets at amortised cost		
Cash and cash equivalents	$ 1,237,845	$ 4,122,363
Accounts receivable (including related parties)	1,194,927	1,301,669
Other receivables (including related parties)	48,409	117,428
Guarantee deposits paid	56,174	67,606
	$ 2,537,355	$ 5,609,066

	December 31, 2020	December 31, 2019
Financial liabilities		
Financial liabilities at fair value through profit or loss		
Financial liabilities designated as at fair value through profit or loss	$ 5,995	$ -
Financial liabilities at amortised cost		
Short-term borrowings	$ 5,279,146	$ 1,822,361
Short-term notes and bills payable	2,699,405	1,699,563
Notes payable (including related parties)	119,708	285,404
Accounts payable	1,600,887	1,094,303
Other payables	1,328,903	1,192,986
Corporate bonds payable	1,932,301	
Long-term borrowings (including current portion)	5,198,570	5,847,772
Long-term notes and accounts payable	693,347	681,757
Guarantee deposits received	283,392	247,941
	$ 19,135,659	$ 12,872,087
Lease liability	$ 3,541,292	$ 3,828,513

B. Financial risk management policies

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. To minimise any adverse effects on the financial performance of the Group, derivative financial instruments, such as forward foreign exchange contracts are used to hedge certain exchange rate risk. Derivatives are used exclusively for hedging purposes and not as trading or speculative instruments.

For supervising management, the Board of Directors has set related rules to authorize the management to perform daily operations within acceptable risk range and requires the internal audit to inspect the management and report on a regular basis. The internal audit must report to the Board of Directors if there is any unusual situation at any time, and respond to the situations adequately.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The foreign exchange risk is mainly arising from USD and EUR. Management has set up a policy to companies to manage their foreign exchange risk against their functional currency. The companies are required to hedge their entire foreign exchange risk exposure with the treasury. Exchange rate risk is measured through a forecast of highly probable USD revenues and JPY expenditures. Forward foreign exchange contracts are adopted to minimise the volatility of the exchange rate affecting forecast foreign currency income and cost of inventory purchases.

ii. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2020		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 59,838	28.43	$ 1,701,194
EUR:NTD	9,238	34.82	321,667
Financial liabilities			
Monetary items			
USD:NTD	93	28.53	2,653
EUR:NTD	253	35.22	8,911

	December 31, 2019		
	Foreign Currency (in thousands)	Exchange Rate	Book Value (NTD)
Financial assets			
Monetary items			
USD:NTD	$ 123,239	29.93	$ 3,688,535
Financial liabilities			
Monetary items			
USD:NTD	96	30.03	2,883
EUR:NTD	519	33.79	17,524

iii.If NTD had appreciated/ depreciated by 1% against USD with all other variables held constant, effect to post-tax profit (loss) is as follows:

	Years ended December 31,	
If NTD had appreciated/ depreciated by 1% against tax	2020	2019
Increase (decrease) in net profit (loss) after tax	$ 16,090	$ 29,345

iv.The net exchange gain (loss) arising from significant foreign exchange variation on the monetary items held by the Group for the years ended December 31, 2020 and 2019, amounted to $14,372 and ($47,377), respectively.

Price risk

The Group is not exposed to significant commodity price risk.

Interest rate risk

i. The convertible bonds issued by the Company are zero-interest bonds with conversion options, and its fair value is affected by the stock price volatility. Based on the assessment, there is no material change in interest rate that would expose the Group to cash flow risk.

ii.The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. If the interest rate had increased/decreased by 0.25% with all other variables held constant, cash flows for the years ended December 31, 2020 and 2019 would have increased/decreased by $13,000 and $14,625, respectively.

(b) Credit risk

Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable and other receivables based on the agreed terms. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

Cash and cash equivalents and derivative financial instruments

The Group only trades with counterparties with good credit, in accordance with the Group's transaction policies. There is no recent violation of significant cash and cash equivalents and derivative financial products.

Contract assets, accounts receivable and other receivables

i. The Group appointed external agency to perform proper credit investigations for customers before signing the contracts of shipbuilding, vessel construction and machinery manufacturing. The results of the credit investigations were low risk, therefore, the credit risks of relevant receivables (primarily under accounts receivable or contract assets) were low risk.

ii. The Group's contract assets and accounts receivable were due from government (including state-owned enterprises) and general business. To maintain the quality of the accounts receivable and contract assets, the Group has established credit risk management procedures for operating. The Group considered customers' financial status, historical trading record and future economic condition in accordance with types of customer, and took into account factors that may influence customers' ability to pay to assess the credit quality of customers. The Group estimated expected credit loss by individual assessment.

iii. In line with credit risk management procedure, when the counterparty failed to fulfil the mutual agreements nor to conduct negotiation, the default has occurred.

iv. As of December 31, 2020 and 2019, the expected loss rates of not past due accounts receivable and contract assets were 1% and 0.04%; 1% and 0.08%, respectively.

As of December 31, 2020 and 2019, the Company's receivables collected upon the delivery of ships amounted to $440,523 and $463,765, respectively, which arose from a negotiation conducted with the counterparties to amend the terms of some installment receivables. The Company assesses that there was no material loss incurred from the amendment of the terms.

As of December 31, 2020 and 2019, the Company's past due construction receivables amounted to $796,040 and $0, respectively, because the counterparty failed to fulfil the mutual agreements and the payments were still under negotiation.

After considering the counterparties' financial status, historical experience and other factors, the expected credit loss based on the individual assessment both amounted to $315,838 as of December 31, 2020 and 2019.

v. Movements in relation to the Group applying the simplified approach to provide loss allowance for accounts receivable and contract assets are as follows:

	2020	
	Accounts receivable	Contract assets
At January 1	$ 319,088	$ 194,713
Reversal of impairment loss	(1,435)	(2,423)
At December 31	$ 317,653	$ 192,290

	2019	
	Accounts receivable	Contract assets
At January 1	$ 319,599	$ 195,478
Reversal of impairment loss	(511)	(765)
At December 31	$ 319,088	$ 194,713

For the years ended December 31, 2020 and 2019, the expected credit gains arising from accounts receivable and contract assets generated from customers' contracts amounted to $3,858 and $1,276, respectively.

(c) Liquidity risk

The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2020:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term borrowings	$ 5,280,120	$ -	$ -	$ -
Short-term notes payable	2,700,000	-	-	-
Payables	3,355,231	617,629	475,749	156,672
Lease liability	272,881	236,772	697,980	2,810,811
Corporate bonds payable	-	-	1,998,400	-
Long-term borrowings (Note)	1,305,646	3,787,313	140,455	-
	$ 12,913,878	$ 4,641,714	$ 3,312,584	$ 2,967,483
Derivative financial liabilities:				
Options embedded in convertible bonds	$ -	$ -	$ 5,995	$ -

Note: Including long-term borrowings, current portion.

December 31, 2019:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years
Non-derivative financial liabilities:				
Short-term borrowings	$ 1,824,565	$ -	$ -	$ -
Short-term notes payable	1,700,000	-	-	-
Payables	3,359,145	412,010	472,728	315,920
Lease liability	265,694	264,989	688,752	3,147,677
Long-term borrowings (Note)	538,486	4,455,646	927,768	-
	$ 7,687,890	$ 5,132,645	$ 2,089,248	$ 3,463,597

Note: Including long-term borrowings, current portion.

Derivative financial liabilities: None.

(3) Fair value estimation

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in derivative instruments is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. Call and put options embedded in convertible bonds are included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(9).

C. Financial instruments not measured at fair value

The carrying amounts of cash and cash equivalents, contract assets, accounts receivable (including related parties), other receivables (including related parties), corporate bonds payable, short-term borrowings, contract liabilities, notes payable (including related parties), accounts payable, other payables, guarantee deposits received, long-term borrowings (including current portion), and guarantee deposits received are approximate to their fair values.

D. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at December 31, 2020 and 2019 is as follows:

(a) The related information of natures of the assets and liabilities is as follows:

December 31, 2020:

	Level 1	Level 2	Level 3	Total
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
Options embedded in convertible bonds	$ -	$ -	$ 5,995	$ 5,995

December 31, 2019: None.

(b) The methods and assumptions the Group used to measure fair value are as follows:

Certain inputs used in the valuation model for measuring the fair value of the Group's debt instruments with embedded derivatives in are not observable at market, and the Group must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12(3)I.

E. For the years ended December 31, 2020 and 2019, there was no transfer between Level 1 and Level 2.

F. The following chart is the movement of Level 3 for the year ended December 31, 2020:

	2020
	Derivative instrument
At January 1	$ -
Losses recognised in profit or loss	
Recorded as non-operating income and expenses	(11,749)
Issued in the year	17,754
Converted in the year	(10)
At December 31	$ 5,995
Movement of unrealised loss in profit or loss of liabilities held as at December 31, 2020 (Note)	($ 11,749)

Note: Recorded as non-operating income and expense.

For the year ended December 31, 2019: None.

G. For the years ended December 31, 2020 and 2019, there was no transfer into or out from Level 3.

H. Treasury segment is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments using the actuarial reports issued by external experts. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently calibrating valuation model, performing back-testing, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

I. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at December 31, 2020	Valuation technique	Input	Range (weighted average)
Hybrid instrument:				
Options embedded in convertible	$5,995	Binary tree convertible bond valuation model	Stock price	28.45
			Volatility	39.14%
			Risk discount rate	0.5471%

The higher the stock price, the higher the redemption value; the higher the volatility, the higher the redemption value; the lower the risk discount rate, the higher the redemption value. Thus, the redemption value for the year increased (redemptions are financial assets of the issue company). Put options are also affected by the change in stock price, volatility and risk-free interest rate. The higher the stock price, the lower the put option value; the higher the volatility, the higher the put option value; the lower the risk discount rate, the lower the put option value. Thus, the put option value for the year decreased (put options are financial liabilities of the issue company)

December 31, 2019: None.

J. The Group has carefully assessed the valuation models and assumptions used to measure fair value. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

		December 31, 2020		
			Recognised in profit or loss	
	Input	Change	Favourable change	Unfavourable change
Financial liabilities				
Hybrid instrument	Stock price volatility	±5%	$ 999	($ 1,199)

December 31, 2019: None.

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: None.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): None.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital: Please refer to table 1.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more: Please refer to table 2.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more: None.

I. Trading in derivative instruments undertaken during the reporting periods: Please refer to Note 6(13) for the information.

J. Significant inter-company transactions during the reporting periods: Please refer to table 3.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 4.

(3) Information on investments in Mainland China

A. Basic information: None.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: None.

(4) Major shareholders information

Major shareholders information: Please refer to table 5.

14. SEGMENT INFORMATION

(1) General information

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision-Maker that are used to make strategic decisions. The Chief Operating Decision-Maker considers the business from a product perspective. The reportable operating segments derive their revenue primarily from the construction of ships and vessels. As other businesses mainly including machinery engineering, ship/vessel repairs and coating do not meet the quantitative thresholds required by IFRS 8, the results of these operations are included in the 'all other segments' column.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the gross profit of each business category. This measurement basis excludes the effects of operating expenses, non-operating revenue and non-operating expenses from the operating segments.

Information about operating segments

The segment information provided to the Chief Operating Decision-Maker for the reportable segments for the years ended December 31, 2020 and 2019 is as follows:

	December 31, 2020			
	Construction of ships and vessels	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	$ 22,702,124	$ 2,594,505	$ -	$ 25,296,629
Inter-segment revenue	-	79,246	(79,246)	-
Total segment revenue	$ 22,702,124	$ 2,673,751	($ 79,246)	$ 25,296,629
Segment (loss) profit	($ 1,513,807)	$ 104,333	$ -	($ 1,409,474)
Undistributed amount:				
Operating expenses				($ 486,394)
Depreciation and amortization				(11,527)
Interest income				6,699
Interest expense				(100,911)
Income tax benefit				(1,337)
Loss on investments accounted for using equity method				(19,975)
Total undistributed amount				($ 613,445)
Segment assets (Note 2)				$ 37,247,566
Investments accounted for under equity method				$ 1,059,433
Increase in non-current assets				$ 72,372
Segment liabilities (Note 2)				$ 32,239,485

	December 31, 2019			
	Construction of ships and vessels	All other segments	Adjustments and eliminations (Note 1)	Total
Revenue from external customers	$ 15,303,225	$ 1,237,674	$ -	$ 16,540,899
Inter-segment revenue	-	74,329	(74,329)	-
Total segment revenue	$ 15,303,225	$ 1,312,003	($ 74,329)	$ 16,540,899
Segment (loss) profit	($ 1,380,050)	$ 189,669	$ -	($ 1,190,381)
Undistributed amount:				
Operating expenses				($ 504,071)
Depreciation and amortization				(11,688)
Interest income				18,907
Interest expense				(66,425)
Income tax benefit				(6,608)
Loss on investments accounted for using equity method				(31,084)
Total undistributed amount				($ 600,969)
Segment assets (Note 2)				$ 35,076,187
Investments accounted for under equity method				$ 29,408
Increase in non-current assets				$ 177,423
Segment liabilities (Note 2)				$ 28,618,929

Note 1: Refers to the elimination of inter-segment revenue.

Note 2: Segment assets and liabilities are regularly provided to the Chief Operating Decision-Maker, but not distributed to each reportable segment.

(3) Information about segment profit or loss, assets and liabilities

The revenue from external parties reported to the Chief Operating Decision-Maker is measured in a manner consistent with that in the statement of comprehensive income. A reconciliation of segment profit to (loss) profit before tax and discontinued operations is provided as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Segment loss	($ 1,513,807)	($ 1,380,050)
Other segment profit	104,333	189,669
Total segments	(1,409,474)	(1,190,381)
Operating expenses	(497,921)	(515,759)
Non-operating income and expenses	308,645	(102,770)
Loss before tax and discontinued operations	($ 1,598,750)	($ 1,808,910)

(4) Information on products and services

Revenues from external customers are mainly derived from the construction of ships and vessels. Breakdown of the revenue from all sources is as follows:

	Years ended December 31, 2020	Years ended December 31, 2019
Revenue from construction of ships and vessels	$ 22,702,124	$ 15,303,225
Revenue from ship/vessel repair	1,142,126	829,595
Revenue from machinery manufacturing	993,002	98,155
Revenue from anti-corrosion coating	264,877	291,966
Other revenue	194,500	17,958
Total	$ 25,296,629	$ 16,540,899

(5) Geographical information

Revenue information by geographic area:

	Year ended and as of December 31, 2020		Year ended and as of December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Taiwan	$ 17,843,368	$ 15,066,406	$ 11,336,769	$ 14,982,602
Liberia	7,468,862	-	2,961,619	-
Samoa	-	-	1,315,079	-
Others	(15,601)	-	927,432	-
Total	$ 25,296,629	$ 15,066,406	$ 16,540,899	$ 14,982,602

(6) Major customer information

The customers accounting for more than 10% of the Group's operating revenues are as follows:

Year ended December 31, 2020		
Clients	Sales amount	Department
Client E	$ 11,032,772	Construction of ships and vessels
Client D	7,468,862	Construction of ships and vessels
Client D	4,278,139	Construction of ships and vessels
	$ 22,779,773	

Year ended December 31, 2019		
Clients	Sales amount	Department
Client E	$ 5,217,957	Construction of ships and vessels
Client C	3,576,531	Construction of ships and vessels
Client D	2,960,119	Construction of ships and vessels
	$ 11,754,607	

CSBC CORPORATION TAIWAN

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

Year ended December 31, 2020

Table 1

Expressed in thousands of NTD

					Balance as at January 1, 2020		Addition		Disposal				Balance as at December 31, 2020	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount (Note 3)	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
CSBC Corporation, Taiwan	Stocks－CSBC-DEME Wind Engineering Co., Ltd.	Investments accounted for under equity method	Note 1	Note 2	500,001	$ 18,838	10,606,060	$ 1,029,684	-	$ -	$ -	$ -	11,106,061	$ 1,048,522

Note 1: It refers to the investment amount increased in the investee.
Note 2: It is the Company’s joint venture.
Note 3: The amount includes the increase in investment amount and investment loss accounted for using the equity method.

CSBC CORPORATION TAIWAN

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

Year ended December 31, 2020

Table 2

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable (payable)		
Purchaser/seller	Counterparty	Relationship with the counterparty	Purchases (sales)	Amount	Percentage of total purchases (sales)	Credit term	Unit price	Credit term	Balance	Total notes/accounts receivable	Footnote
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Other related parties	Sale	($ 302,453)	(1.2%)	Note 1	Note 1	Note 1	$ -	-	Note 2
CSBC Corporation, Taiwan	China Steel Express Corporation	Subsidiary of the Company's legal entity director	Sale	(214,075)	(0.8%)	Note 1	Note 1	Note 1	-	-	-
CSBC Corporation, Taiwan	China Steel Corporation	Corporate Director	Purchases	883,684	8.7%	Note 1	Note 1	Note 1	(111,592)	(7%)	Note 3

Note 1: Based on the contract, the payment terms is the same as in general transactions.

Note 2: The contract liabilities from CSBC-DEME Wind Engineering Co., Ltd. amounted to $1,1489,197.

Note 3: The prepayments to China Steel Corporation amounted to $299,399 and other receivables amounted to $15,404.

CSBC CORPORATION TAIWAN

Significant inter-company transactions during the reporting periods

Year ended December 31, 2020

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Outsourcing expenses	$ 68,500	Note 4	-
0	CSBC Corporation, Taiwan	BLUE ACE CORPORATION	Parent company to subsidiary	Accounts payable	8,362	Note 4	-
0	CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd	Parent company to subsidiary	Outsourcing expenses	10,746	Note 4	-

Note 1：The numbers filled in for the transaction company in respect of inter-company transactions are as follows:

(1)Parent company is ‘0’.

(2)The subsidiaries are numbered in order starting from ‘1’.

Note 2：If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice.

For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.

Note 3：Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts, based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

Note 4：Based on the contract, the payment terms is the same as in general transactions.

CSBC CORPORATION TAIWAN

Information on investees

Year ended December 31, 2020

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at December 31, 2020	Initial investment amount: Balance as at December 31, 2019	Shares held as at December 31, 2020: Number of shares	Shares held as at December 31, 2020: Ownership (%)	Shares held as at December 31, 2020: Book value	Net profit (loss) of the investee for the year ended December 31, 2020	Investment income(loss) recognised by the Company for the year ended December 31, 2020	Footnote
CSBC Corporation, Taiwan	CSBC-DEME Wind Engineering Co., Ltd.	Taiwan	Installation of cable, lease of ships, and contracting of ships services	$ 1,099,500	$ 49,500	11,106,061	50.00	$ 1,048,522	($ 40,632)	($ 20,316)	Note 1
CSBC Corporation, Taiwan	CSBC Coating Solutions Co., Ltd.	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	125,000	125,000	14,600,165	100.00	174,438	4,821	4,821	
CSBC Corporation, Taiwan	Taiwan International Windpower Training Corporation Ltd.	Taiwan	Research and development, energy technology service	12,000	12,000	1,200,000	12.00	10,911	2,845	341	Note 1
CSBC Corporation, Taiwan	Taiwan Offshore Wind Farm Services Corporation	Taiwan	Manufacturing of metal structure, building component, power generation and others	4,000	4,000	400,000	40.00	-	(7,380)	-	Note 1
CSBC Corporation, Taiwan	Fuhai Wind Farm Corporation	Taiwan	Wind power industry	178,156	178,156	15,000,000	37.97	-	(42,852)	-	Note 1
CSBC Coating Solutions Co., Ltd	BLUE ACE CORPORATION	Taiwan	Marine coating, steel structure painting works, surface treatment, and high-tech anti-corrosion etc.	25,000	25,000	-	100.00	20,728	(4,938)	-	Note 2
CSBC Coating Solutions Co., Ltd	Blue Ocean Wind Power Engineering (Hong Kong) Limited	Hong Kong	Marine works services	304	304	100	100.00	107	(93)	-	Note 2

Note 1：Please refer to Note 6(5) for details about investments accounted for under equity method.

Note 2：The amount has been included in the profit (loss) of the Company’s investee accounted for using equity method and has been recognised as gain (loss) on investment.

CSBC CORPORATION TAIWAN
Major shareholders information
December 31, 2020

Table 5

Name of major shareholders	Number of shares held	Shares Ownership (%)
Ministry of Economic Affairs, R.O.C.	105,070,366	22.21%
Financing Investment Venture Capital	36,032,305	7.61%
Yao Hua Glass Co., Ltd. Management Committee	36,032,305	7.61%
National Defense Industrial Development Foundation	25,000,000	5.28%
CPC Corporation, Taiwan	23,998,253	5.07%
Yuanta Commercial Bank Trust Account	23,777,487	5.02%

Description: (1) The major shareholders' information was derived from the data using the Company issued common shares (including treasury shares) and preference shares in dematerialised form which were registered and held by the shareholders above 5% on the last operating date of each quarter and was calculated by Taiwan Depository & Clearing Corporation. The share capital which was recorded on the financial statements may differ from the actual number of shares in dematerialised form due to the difference of calculation basis.

(2) If the aforementioned data contains shares which were kept in the trust by the shareholders, the data was disclosed as a separate account of the client which was set by the trustee. As for the shareholder who reports share equity as an insider whose shareholding ratio was greater than 10% in accordance with Securities and Exchange Act, the shareholding ratio included the self-owned shares and trusted shares, at the same time, persons who have power to decide how to allocate the trust assets. For the information on reported share equity of insiders, please refer to the Market Observation Post System.

(3) The preparation principle of this table uses the shareholders' register as of the book closure date for the shareholders' special meeting (no need buy-to-cover short sales) to calculate the distribution of the balance of each unsecured transaction.

(4) Ownership (%) = total shares held by the shareholder/total shares transferred in dematerialised form.

(5) Total shares transferred in dematerialised form (including treasury shares) amounted to 473,055,493 shares=473,055,493 common shares+0 preference shares.