

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**BASSO INDUSTRY CORPORATION**  
**Financial Statements**  
**With Independent Auditors' Report**  
**For the Years Ended December 31, 2020 and 2019**

Address: No. 24, 36th Rd., Taichung Industrial Park, Taichung, 40768 Taiwan, R.O.C.  
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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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## **Independent Auditors' Report**

To the Board of Directors of Basso Industry Corporation:

### **Opinion**

We have audited the financial statements of Basso Industry Corporation ("the Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"). Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

#### **1. Revenue recognition**

For the accounting policies relating to revenue recognition, please refer to Note 4 (m).

### Description of key audit matter:

Part of the sales of the Company is subject to various sales terms of discount, return, warranty (according to the contract) or consignment transactions based on contractual agreements or commercial practices, which may result in an error in revenue recognition. Therefore, the test of revenue recognition is one of our key audit matters.

### How the matter was addressed in our audit

Our principal audit procedures included testing the effectiveness of design and implementation of the internal control for sales and collection cycle. Assessing whether recognition of revenue has been handled in accordance with the relevant regulations by acquiring and verifying the sales contracts and external purchase orders of major customers. Understanding the sales revenue of the top ten customers by comparing that of last year to assess whether there are any major abnormalities. Random sampling of sales during the period before and after the cut-off date, and checking the relevant documents to assess the accuracy of the timing of revenue recognition to understand whether there is any major sales return after the period.

## 2. Inventory evaluation

For the accounting policies of inventories, please refer to Note 4 (g); For the accounting estimates and assumptions uncertainty of inventory evaluation, please refer to Note 5; For the description of the inventory evaluation, please refer to Note 6(e).

### Description of key audit matter:

The inventory of the Company is measured by the lower of cost and net realizable value. In recent years, the global market has become more volatile, which has led to an increase in the market demand for pneumatic nailing machines. The competition in the global market is fierce, prompting the design and manufacturing technology of pneumatic nailing machines to advance rapidly, resulting in the original products to be outdated or no longer meet market demand such as the needs of European and American brand manufacturers, as well as individual consumers. Sales of related products may fluctuate drastically, so there is a risk that the cost of the inventory may exceed its net realizable value. Therefore, the inventory evaluation is considered as one of our key audit matters.

### How the matter was addressed in our audit

The main audit procedures for the above key audit matter include assessing the reasonableness of the inventory evaluation accounting policy. Reviewing the inventory aging report, analyzing the change in aging inventory, and evaluating whether the inventory evaluation has been handled according to accounting policies. Understanding and assessing the reasonableness of the net realizable value basis adopted by the management, selecting samples, and checking the relevant documents to ensure the accuracy of the amounts; as well as assessing whether the management's disclosure of the relevant inventory evaluation is fair and sufficient.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including the supervisors) are responsible for overseeing the Company's financial reporting process.

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

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

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

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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.

The engagement partners on the audit resulting in this independent auditors' report are Chun-Yuan Wu and Shyh-Huar Kuo.

KPMG

Taipei, Taiwan (Republic of China)  
March 26, 2021

**Notes to Readers**

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

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(English Translation of Financial Statements and Report Originally Issued in Chinese)  
BASSO INDUSTRY CORPORATION

Balance Sheets

December 31, 2020 and 2019

(expressed in Thousands of New Taiwan dollars)

Assets	December 31, 2020		December 31, 2019		Liabilities and Equity	December 31, 2020		December 31, 2019	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note 6 (a))	\$ 544,445	11	542,488	12	Notes payable	\$ 6,369	-	6,004	-
Notes receivable, net (note 6(c))	9,739	-	12,450	-	Accounts payable	417,221	8	238,797	5
Accounts receivable, net (note 6 (c))	884,776	18	576,904	13	Other payables	396,059	8	374,218	8
Other receivables (note 6 (d))	11,854	-	8,811	-	Contract liabilities (note 6(o))	35,963	1	71,040	2
Current income tax assets	102,133	2	101,953	2	Current income tax liabilities	73,048	1	-	-
Inventories (note 6 (e))	664,240	13	550,959	12	Provisions	4,260	-	5,020	-
Other current financial assets (note 6 (h))	1,799,700	35	1,700,000	37	Other current liabilities	1,368	-	1,524	-
Other current assets (note 6 (h))	34,450	1	29,011	1		934,288	18	696,603	15
	4,051,337	80	3,522,576	77	<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>					Defined benefit liabilities, net (note 6 (k))	37,929	1	36,195	1
Non-current financial assets at fair value through other comprehensive income (note 6 (b))	10	-	10	-		37,929	1	36,195	1
Property, plant and equipment (note 6 (f))	964,414	19	960,244	20	<b>Total liabilities</b>	972,217	19	732,798	16
Intangible assets (note 6 (g))	16,949	-	16,831	-	<b>Equity attributable to owners: (note 6 (m))</b>				
Deferred tax assets (note 6 (l))	36,054	1	76,509	2	Ordinary share	1,385,706	27	1,385,706	30
Other non-current assets (note 6 (h))	20,387	-	37,575	1	Capital surplus	26,667	1	26,396	1
	1,037,814	20	1,091,169	23	Retained earnings	2,743,121	54	2,507,405	54
					Other equity	(38,560)	(1)	(38,560)	(1)
					<b>Total equity</b>	4,116,934	81	3,880,947	84
<b>Total assets</b>	<b>\$ 5,089,151</b>	<b>100</b>	<b>4,613,745</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 5,089,151</b>	<b>100</b>	<b>4,613,745</b>	<b>100</b>

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**BASSO INDUSTRY CORPORATION****Statements of Comprehensive Income****For the years ended December 31, 2020 and 2019****(expressed in Thousands of New Taiwan dollars , except for earnings per share)**

	<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4110 <b>Operating revenues</b>	\$ 3,621,689	101	3,487,783	101
4170 Sales returns	1,057	-	4,360	-
4190 Sales allowances	31,319	1	19,340	1
<b>Net operating revenues (note 6 (o))</b>	<b>3,589,313</b>	<b>100</b>	<b>3,464,083</b>	<b>100</b>
5000 <b>Operating costs (note 6 (e),(g), (k) and (p))</b>	<b>2,680,365</b>	<b>75</b>	<b>2,478,605</b>	<b>72</b>
<b>Gross profit from operations</b>	<b>908,948</b>	<b>25</b>	<b>985,478</b>	<b>28</b>
<b>Operating expenses (note 6 (g), (k) and (p))</b>				
6100 Selling expenses	104,546	3	137,939	4
6200 Administrative expenses	87,915	2	92,287	3
6300 Research and development expenses	174,562	5	178,743	5
6450 Impairment gain	(9,456)	-	-	-
	357,567	10	408,969	12
<b>Net operating income</b>	<b>551,381</b>	<b>15</b>	<b>576,509</b>	<b>16</b>
<b>Non-operating income and expenses (note 6 (q))</b>				
7100 Interest income	16,690	-	311,962	9
7020 Other gains and losses, net	(46,371)	(1)	(75,383)	(1)
7050 Finance costs	-	-	(78,032)	(2)
	(29,681)	(1)	158,547	6
7900 <b>Profit (loss) from continuing operations before tax</b>	<b>521,700</b>	<b>14</b>	<b>735,056</b>	<b>22</b>
7950 <b>Less: Income tax expenses (note 6 (l))</b>	<b>114,750</b>	<b>3</b>	<b>161,502</b>	<b>4</b>
<b>Profit</b>	<b>406,950</b>	<b>11</b>	<b>573,554</b>	<b>18</b>
8300 <b>Other comprehensive income (loss):</b>				
8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	(4,950)	-	(1,251)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	(4,950)	-	(1,251)	-
8300 <b>Other comprehensive income, net</b>	<b>(4,950)</b>	<b>-</b>	<b>(1,251)</b>	<b>-</b>
<b>Comprehensive income</b>	<b>\$ 402,000</b>	<b>11</b>	<b>572,303</b>	<b>18</b>
<b>Basic earnings per share (NT dollars) (note 6(n))</b>	<b>\$ 2.94</b>		<b>4.15</b>	
<b>Diluted earnings per share (NT dollars) (note 6(n))</b>	<b>\$ 2.92</b>		<b>4.13</b>	

See accompanying notes to financial statements.



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**BASSO INDUSTRY CORPORATION****Statements of Changes in Equity****For the years ended December 31, 2020 and 2019****(Expressed in Thousands of New Taiwan dollars)**

	Retained earnings						Total other equity interest	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Total equity
<b>Balance at January 1, 2019</b>	\$ 1,379,606	593	699,738	584,443	1,202,764	2,486,945	(38,560)	3,828,584
Profit for the year ended December 31, 2019	-	-	-	-	573,554	573,554	-	573,554
Other comprehensive income for the year ended December 31, 2019	-	-	-	-	(1,251)	(1,251)	-	(1,251)
Comprehensive income for the year ended December 31, 2019	-	-	-	-	572,303	572,303	-	572,303
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	103,177	-	(103,177)	-	-	-
Special reserve	-	-	-	38,560	(38,560)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(551,843)	(551,843)	-	(551,843)
Other changes in capital surplus	-	-	-	(584,443)	584,443	-	-	-
Employee compensation transfer to common stock	6,100	25,803	-	-	-	-	-	31,903
<b>Balance at December 31, 2019</b>	<u>\$ 1,385,706</u>	<u>26,396</u>	<u>802,915</u>	<u>38,560</u>	<u>1,665,930</u>	<u>2,507,405</u>	<u>(38,560)</u>	<u>3,880,947</u>
<b>Balance at January 1, 2020</b>	\$ 1,385,706	26,396	802,915	38,560	1,665,930	2,507,405	(38,560)	3,880,947
Profit for the year ended December 31, 2020	-	-	-	-	406,950	406,950	-	406,950
Other comprehensive income for the year ended December 31, 2020	-	-	-	-	(4,950)	(4,950)	-	(4,950)
Comprehensive income for the year ended December 31, 2020	-	-	-	-	402,000	402,000	-	402,000
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	57,355	-	(57,355)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(166,284)	(166,284)	-	(166,284)
Other changes in capital surplus	-	271	-	-	-	-	-	271
<b>Balance at December 31, 2020</b>	<u>\$ 1,385,706</u>	<u>26,667</u>	<u>860,270</u>	<u>38,560</u>	<u>1,844,291</u>	<u>2,743,121</u>	<u>(38,560)</u>	<u>4,116,934</u>

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**BASSO INDUSTRY CORPORATION****Statements of Cash Flows****For the years ended December 31, 2020 and 2019****(expressed in Thousands of New Taiwan dollars)**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from (used in) operating activities:</b>		
<b>Profit before tax</b>	\$ <u>521,700</u>	<u>735,056</u>
<b>Adjustments:</b>		
Adjustments to reconcile profit (loss):		
Depreciation expense	122,430	99,638
Amortization expense	11,419	14,260
Expected credit gain reversal of provision for bad debt expense	(9,456)	-
Net loss on financial assets at fair value through loss	-	29,184
Interest expense	-	78,032
Interest revenue	(16,690)	(311,962)
Loss (gain) on disposal of property, plant and equipment	(1,139)	237
<b>Total adjustments to reconcile profit</b>	<u>106,564</u>	<u>(90,611)</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Changes in operating assets:</b>		
Decrease (increase) in notes receivable	2,711	(2,592)
(Increase) decrease in accounts receivable	(298,416)	305,532
(Increase) decrease in other receivables	(2,073)	177
Increase in inventories	(126,345)	(17,931)
Increase in other current assets	(5,439)	(2,203)
<b>Changes in operating assets</b>	<u>(429,562)</u>	<u>282,983</u>
<b>Changes in operating liabilities:</b>		
(Decrease) increase in contract liability	(35,077)	27,788
Increase (decrease) in notes payable	365	(2,016)
Increase (decrease) in accounts payable	178,424	(32,005)
Increase (decrease) in other payable	15,507	(12,150)
Decrease in provisions	(760)	(1,397)
(Decrease) increase in other current liabilities	(156)	263
Decrease in net defined benefit liability	(3,216)	(3,130)
<b>Changes in operating liabilities</b>	<u>155,087</u>	<u>(22,647)</u>
<b>Total changes in operating assets and liabilities</b>	<u>(274,475)</u>	<u>260,336</u>
<b>Total adjustments</b>	<u>(167,911)</u>	<u>169,725</u>
Cash inflow generated from operations	353,789	904,781
Interest received	15,720	474,977
Interest paid	-	(87,256)
Income taxes paid	(1,427)	(208,484)
<b>Net cash flows from operating activities</b>	<u>368,082</u>	<u>1,084,018</u>
<b>Cash flows from (used in) investing activities:</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	-	3,726,646
Acquisition of property, plant and equipment	(12,960)	(23,219)
Proceeds from disposal of property, plant and equipment	1,720	3,741
Acquisition of intangible assets	(11,537)	(8,398)
(Increase) decrease in other financial assets	(99,700)	6,348,476
Decrease (increase) in other non-current assets	282	(168)
Increase in prepaid equipment	(77,917)	(140,032)
<b>Net cash flows from (used in) investing activities</b>	<u>(200,112)</u>	<u>9,907,046</u>
<b>Cash flows from (used in) financing activities:</b>		
Increase in short-term loans	-	650,000
Repayments of short-term borrowings	-	(9,643,000)
Increase in long-term borrowings	-	50,000
Repayments of long-term borrowings	-	(1,239,000)
Unclaimed overdue dividends transferred to capital surplus	271	-
Cash dividends paid	(166,284)	(551,843)
Employee compensation transferred to common stock	-	31,903
<b>Net cash flows from (used in) financing activities</b>	<u>(166,013)</u>	<u>(10,701,940)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,957	289,124
<b>Cash and cash equivalents at beginning of period</b>	<u>542,488</u>	<u>253,364</u>
<b>Cash and cash equivalents at end of period</b>	<u>\$ <u>544,445</u></u>	<u><u>542,488</u></u>

See accompanying notes to financial statements.

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**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**  
**For the years ended December 31, 2020 and 2019**  
**(expressed in Thousands of New Taiwan dollars, Unless Otherwise Specified)**

**(1) Company history**

Basso Industry Corporation (the “Company”) was incorporated on July 2, 1983 as a Group limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is No. 24, 36th Rd., Taichung Industrial Park, Taichung, 40768 Taiwan, R.O.C. The Company primarily is involved in the manufacturing and selling of penumatic nailers and automotive air tools.

**(2) Approval date and procedures of the financial statements**

The financial statements were authorized for issue by the Board of Directors on March 26, 2021.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

The Company has initially adopted the new amendments, which do not have a significant impact on its financial statements, from January 1, 2020:

- Amendments to IFRS 3 “Definition of a Business”
- Amendments to IFRS 9, IAS39 and IFRS7 “Interest Rate Benchmark Reform”
- Amendments to IAS 1 and IAS 8 “Definition of Material”
- Amendments to IFRS 16 “COVID-19-Related Rent Concessions”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2021, would not have a significant impact on its consolidated financial statements:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The following new and amended standards, which may be relevant to the Company, have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<b>Standards or Interpretations</b>	<b>Content of amendment</b>	<b>Effective date per IASB</b>
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of balance sheet, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.  The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.	January 1, 2023
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	The amendments clarify that the ‘costs of fulfilling a contract’ comprises the costs that relate directly to the contract as follows: <ul style="list-style-type: none"> <li>• the incremental costs – e.g. direct labor and materials; and</li> <li>• an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract.</li> </ul>	January 1, 2022

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

The Company does not expect the following other new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

**(4) Summary of significant accounting policies**

The accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the financial statements.

**(a) Statement of compliance**

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed by the Financial Supervisory Commission, R.O.C..

**(b) Basis of preparation**

**(i) Basis of measurement**

Except for the following significant accounts, the financial statements have been prepared on a historical cost basis:

The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation.

**(ii) Functional and presentation currency**

The functional currency of each Group is determined based on the primary economic environment in which the entities operates. The financial statements are presented in New Taiwan dollars, which is the Company’s functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

**(c) Foreign currencies**

Transactions in foreign currencies are translated into the respective functional currencies of Company entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

- (i) An investment in equity securities designated as at fair value through other comprehensive income;
  - (ii) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
  - (iii) qualifying cash flow hedges to the extent that the hedges are effective.
- (d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as noncurrent.

- (i) It is expected to be realized, or intended to be sold or consumed , in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
  - (ii) It is held primarily for the purpose of trading;
  - (iii) It is due to be settled within twelve months after the reporting period; or
  - (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.
- (e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes, should be recognized as cash equivalents.

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL :

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI )

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL :

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

(Continued)

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

#### 3) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, amortized costs, notes and trade receivables, other receivable, leases receivable, guarantee deposit paid and other financial assets), debt investments measured at FVOCI and contract assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Company considers a financial asset to be in default when the financial asset is more than a year past due or the debtor is unlikely to pay its credit obligations to the Company in full.

(Continued)



## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’.

Lifetime ECL are the ECL that result from all possible default events over the expected life of a financial instrument.

12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECL is the maximum contractual period over which the Company is exposed to credit risk.

Certificate deposits held by the company, the transaction target and other parties are financial institutions with investment grade and above, so they are deemed to have low credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer ;
- a breach of contract such as a default or being more than a year past due ;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider ;
- it is probable that the borrower will enter bankruptcy or other financial reorganization ; or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charge to profit or loss and recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

(Continued)

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

#### 4) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

#### (ii) Financial liabilities and equity instruments

##### 1) Classification of debt or equity

Debt and equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### 2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

##### 3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method and includes the expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less, the estimated costs of completion and selling expenses.

(h) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated on the cost of an asset, less, its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an items of property, plant and equipment.

Land is not depreciated.

The estimated useful lives of property, plant and equipment for the current and comparative periods are as follows:

- 1) buildings and structures: 2~57 years
- 2) machinery and equipment: 2~21 years
- 3) other equipment: 2~21 years

(Continued)

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

Buildings and structures constitute mainly of building and building repair project. Each such part depreciates based on its useful life of 51~57 years and 2~56 years, respectively.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

#### (i) Lease

##### Identifying a lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset throughout the period of use only if either:

- (1) the customer has the right to direct how and for what purpose the asset is used throughout the period of use; or

- (2) the relevant decisions about how and for what purpose the asset is used are predetermined and:

- the customer has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or

- the customer designed the asset in a way that predetermines how and for what purpose it will be used throughout the period of use

#### (j) Intangible assets

##### (i) Research and measurement

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Capital developed expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Other intangible assets that are acquired by the Company are measured at cost less accumulated amortization and any accumulated impairment losses.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software: 1~10 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted if appropriate.

(k) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets, deferred tax assets and ) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest Company of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or Company of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

For other assets, an impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(l) Provisions

A provision is recognized if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Warranties liability provisions are recognized when the underlying products or services are sold, based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(m) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company manufactures and sells nail machine and pneumatic tools. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are expensed during which services are rendered by employees.

(Continued)

## **BASSO INDUSTRY CORPORATION**

### **Notes to the Financial Statements**

#### **(ii) Defined benefit plans**

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

#### **(iii) Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **(o) Income taxes**

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

- (i) Temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) Taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(p) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company, divided by the weighted-average number of ordinary shares outstanding, after adjustment, for the effects of all dilutive potentially ordinary shares, such as employee compensation.

(q) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). The Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance regularly reviews operating results of the operating segment. Each operating segment consists of standalone financial information.

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## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

#### (5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty

In preparing these financial statements, management has made judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in the accounting estimates in the following period.

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is as follows:

As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. Please refer to note 6 (e) for further description of the valuation of inventories.

The Company's accounting policies and disclosures include measuring financial and non financial assets and liabilities at fair value through profit or loss.

The Company establishes relevant internal control system for Fair value measuring. That include responsible for reviewing all significant fair value measurements (including level 3 fair values) by the financial management department , and reporting to management directly . The Company's financial department regularly review significant unobservable input values and adjustments.If the input value is used to measure the fair value of the use of external third-party information(such as broker or pricing service) The financial management department will evaluate evidence of support inputs provided by third-parties to ensure that the fair value level classification and evaluation in line with the provisions of IFRS.

The Company strives to use market observable inputs when measuring assets and liabilities. Different levels of the fair value hierarchy to be used in determining the fair value of financial instruments are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data.

For any transfer within the fair value hierarchy, the impact of the transfer is recognized on the reporting date. Please refer to Note 6(r) for assumptions used in measuring fair value.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

**(6) Explanation of significant accounts**

**(a) Cash and Cash Equivalents**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash on hand	\$ 771	740
Demand deposits and time deposits	494,605	480,672
Foreign currency deposits	49,069	61,076
Cash and cash equivalents	<u><u>\$ 544,445</u></u>	<u><u>542,488</u></u>

Please refer to note 6(r) for the interest rate risk and sensitivity analysis of the financial assets and liabilities of the Company.

**(b) Financial assets at fair value through other comprehensive income**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Equity investments at fair value through other comprehensive income</b>		
Domestic unlisted stock-COTA Commercial bank	\$ 10	10
Domestic unlisted stock-GATETECH technology Inc.	-	-
Total	<u><u>\$ 10</u></u>	<u><u>10</u></u>

No strategic investments were disposed during 2020 and 2019, there were no transfers of any cumulative gain or loss within equity relating to these investments.

For market risk, please refer to note 6 (r).

As of December 31, 2020 and 2019, none of the financial assets at fair value through other comprehensive income of the Company had been pledged as collateral for long-term borrowings.

**(c) Note and accounts receivables**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Note receivables—measured as amortized cost	\$ 9,739	12,450
Accounts receivables—measured as amortized cost	886,609	588,193
Less: Loss allowances	(1,833)	(11,289)
	<u>884,776</u>	<u>576,904</u>
	<u><u>\$ 894,515</u></u>	<u><u>589,354</u></u>

(Continued)

# **BASSO INDUSTRY CORPORATION**

## **Notes to the Financial Statements**

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowance provisions were determined as follows:

	<b>December 31, 2020</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 776,873	- %	-
1 to 90 days past due	116,224	- %	-
181 to 365 days past due	3,251	56.38 %	1,833
Total	<u>\$ 896,348</u>		<u>1,833</u>

  

	<b>December 31, 2019</b>		
	<b>Gross carrying amount</b>	<b>Weighted-average loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 538,472	- %	-
1 to 90 days past due	59,422	14.37 %	8,540
91 to 180 days past due	2,060	100 %	2,060
More than a year past due	689	100 %	689
Total	<u>\$ 600,643</u>		<u>11,289</u>

The movement in the allowance for notes and accounts receivables was as follows:

	<b>For the years ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1	\$ 11,289	11,292
Impairment losses reversed	(9,456)	(3)
Balance on December 31	<u>\$ 1,833</u>	<u>11,289</u>

The Company does not hold any collateral for the collectible amounts.

For further credit risk information, please refers to note 6 (r).

(d) Other receivables

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Other receivable—interests receivable	\$ 2,779	1,809
Others	9,075	7,002
Less: Loss allowance	-	-
	<u>\$ 11,854</u>	<u>8,811</u>

For further credit risk information, please refers to note 6 (r).

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(e) Inventories

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	\$ 133,823	103,333
Work in progress	323,457	252,878
Raw materials	206,960	194,743
Commodity	-	5
	<u><b>\$ 664,240</b></u>	<u><b>550,959</b></u>

As of December 31, 2020 and 2019, the detail of the cost of sales were as follows:

	<b>For the years ended December 31 2020</b>	<b>2019</b>
Inventory that has been sold	\$ 2,698,351	2,480,720
Inventory valuation decline losses	7,394	18,301
Losses on disposal of scrap	11,269	10,012
Gains on disposal of miscellaneous	(34,476)	(27,177)
Warranty provision	(760)	(1,397)
Others	(1,413)	(1,854)
	<u><b>\$ 2,680,365</b></u>	<u><b>2,478,605</b></u>

As of December 31, 2020 and 2019, the Company did not provide any inventories as collateral for its loans.

(f) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<b>Land</b>	<b>Buildings and Structures</b>	<b>Machinery and Equipment</b>	<b>Other Equipment</b>	<b>Total</b>
<b>Cost or deemed cost:</b>					
Balance at January 1, 2020	\$ 305,349	667,373	1,850,912	147,612	2,971,246
Additions	-	1,137	13,989	4,168	19,294
Disposals	-	(1,712)	(29,222)	(9,547)	(40,481)
Reclassification	-	130	101,690	6,067	107,887
Balance at December 31, 2020	<u><b>\$ 305,349</b></u>	<u><b>666,928</b></u>	<u><b>1,937,369</b></u>	<u><b>148,300</b></u>	<u><b>3,057,946</b></u>
Balance at January 1, 2019	\$ 305,349	665,631	1,816,582	167,587	2,955,149
Additions	-	2,554	17,072	7,396	27,022
Disposals	-	(6,767)	(116,453)	(35,470)	(158,690)
Reclassification	-	5,955	133,711	8,099	147,765
Balance at December 31, 2019	<u><b>\$ 305,349</b></u>	<u><b>667,373</b></u>	<u><b>1,850,912</b></u>	<u><b>147,612</b></u>	<u><b>2,971,246</b></u>
<b>Depreciation and impairment loss :</b>					

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

	<u>Land</u>	<u>Buildings and Structures</u>	<u>Machinery and Equipment</u>	<u>Other Equipment</u>	<u>Total</u>
Balance at January 1, 2020	\$ -	293,178	1,600,738	117,086	2,011,002
Depreciation for the year	-	18,896	93,617	9,917	122,430
Disposals	-	(1,642)	(28,711)	(9,547)	(39,900)
Balance at December 31, 2020	<u>\$ -</u>	<u>310,432</u>	<u>1,665,644</u>	<u>117,456</u>	<u>2,093,532</u>
Balance at January 1, 2019	\$ -	281,386	1,641,432	143,258	2,066,076
Depreciation for the year	-	18,559	72,267	8,812	99,638
Disposals	-	(6,767)	(112,961)	(34,984)	(154,712)
Balance at December 31, 2019	<u>\$ -</u>	<u>293,178</u>	<u>1,600,738</u>	<u>117,086</u>	<u>2,011,002</u>
<b>Carrying amounts:</b>					
Balance at December 31, 2020	<u>\$ 305,349</u>	<u>356,496</u>	<u>271,725</u>	<u>30,844</u>	<u>964,414</u>
Balance at January 1, 2019	<u>\$ 305,349</u>	<u>384,245</u>	<u>175,150</u>	<u>24,329</u>	<u>889,073</u>
Balance at December 31, 2019	<u>\$ 305,349</u>	<u>374,195</u>	<u>250,174</u>	<u>30,526</u>	<u>960,244</u>

As of December 31, 2020, the Company did not provide the property, plant and equipment as collateral for its loans.

As of December 31, 2019, the property, plant and equipment of the Company had been pledged as collateral for borrowings; please refer to Note 8.

(g) Intangible Assets

The costs of intangible assets, amortization, and impairment loss of the Company for the years ended December 31, 2020 and 2019 were as follows:

	<u>Computer software</u>
<b>Costs:</b>	
Balance at January 1, 2020	\$ 35,335
Additions	11,537
Disposals	(8,398)
Balance at December 31, 2020	<u>\$ 38,474</u>
Balance at January 1, 2019	\$ 40,749
Additions	8,398
Disposals	(13,812)
Balance at December 31, 2019	<u>\$ 35,335</u>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

	<u>Computer software</u>
<b>Amortization and Impairment Loss:</b>	
Balance at January1, 2020	\$ 18,504
Amortization for the year	11,419
Disposals	<u>(8,398)</u>
Balance at December 31, 2020	<u><b>\$ 21,525</b></u>
Balance at January1, 2019	\$ 18,056
Amortization for the year	14,260
Disposals	<u>(13,812)</u>
Balance at December 31, 2019	<u><b>\$ 18,504</b></u>
<b>Carrying amounts:</b>	
Balance at December 31, 2020	<u><b>\$ 16,949</b></u>
Balance at January 1, 2019	<u><b>\$ 22,693</b></u>
Balance at December 31, 2019	<u><b>\$ 16,831</b></u>

(i) Amortization

The amortizations of intangible assets were included in the statement of comprehensive income:

	<u>2020</u>	<u>2019</u>
Operating costs	\$ 2,371	2,433
Operating expenses	<u>9,048</u>	<u>11,827</u>
	<u><b>\$ 11,419</b></u>	<u><b>14,260</b></u>

(ii) Disclosures on pledges

As of December 31, 2020 and 2019, none of the intangible assets of the Company had been pledged as collateral.

(h) Other current assets and other non-current assets

The other current assets and other non-current assets of the Company were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Other financial assets-current	\$ 1,799,700	1,700,000
Prepayment for equipment	18,834	35,740
Refundable deposits	1,509	1,509
Other-current	34,450	29,011
Other-non current	<u>44</u>	<u>326</u>
	<u><b>\$ 1,854,537</b></u>	<u><b>1,766,586</b></u>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(i) Short-term borrowings

The short-term borrowings were summarized as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Unused short-term credit lines	<u><u>\$ 200,000</u></u>	<u><u>6,250,000</u></u>

For the collateral for short-term borrowings, please refer to note 8.

(j) Long-term borrowings

The details were as follows:

	<b>December 31, 2019</b>			
	<b>Currency</b>	<b>Rate</b>	<b>Maturity year</b>	<b>Amount</b>
Secured bank loans	NTD	-	-	<u><u>\$ 2,000,000</u></u>

For the collateral for long-term borrowings, please refer to note 8.

(k) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Present value of the defined benefit obligations	\$ 147,028	138,766
Fair value of plan assets	<u>(109,099)</u>	<u>(102,571)</u>
Net defined benefit liabilities	<u><u>\$ 37,929</u></u>	<u><u>36,195</u></u>

The Company's employee benefit liabilities were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Short-term paid leave liability	<u><u>\$ 13,649</u></u>	<u><u>13,072</u></u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

(Continued)

# BASSO INDUSTRY CORPORATION

## Notes to the Financial Statements

### 1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to 109,099 thousands at the report date. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

### 2) Movements in present value of the defined benefit obligations

The movement in present value of the defined benefit obligations for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 138,766	132,560
Current service costs and interest costs	2,097	2,309
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	1,083	(814)
Actuarial loss (gain) arising from:		
— demographic assumptions	656	1,452
— financial assumptions	6,534	4,014
Benefits paid	(2,108)	(755)
Balance, December 31	<u>\$ 147,028</u>	<u>138,766</u>

### 3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Balance, January 1	\$ 102,571	94,486
Interest income	774	957
Remeasurements loss (gain):		
— Return on plan assets excluding interest income	3,322	3,401
Amount that has been allocated to the plan	4,540	4,482
Benefits paid	(2,108)	(755)
Balance, December 31	<u>\$ 109,099</u>	<u>102,571</u>

(Continued)



**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

4) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

	<u>2020</u>	<u>2019</u>
Current service costs	\$ 1,068	993
Net interest of net liabilities for defined benefit obligations	<u>255</u>	<u>359</u>
	<u><b>\$ 1,323</b></u>	<u><b>1,352</b></u>
Operating cost	\$ 877	897
Selling expenses	47	48
Administration expenses	178	186
Research and development expenses	<u>221</u>	<u>221</u>
	<u><b>\$ 1,323</b></u>	<u><b>1,352</b></u>

5) Remeasurement of net defined benefit liability recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Accumulated amount at January 1	\$ (54,723)	(53,472)
Recognized during the period	<u>(4,950)</u>	<u>(1,251)</u>
Accumulated amount at December 31	<u><b>\$ (59,673)</b></u>	<u><b>(54,723)</b></u>

6) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	0.35 %	0.75 %
Increase in future salary rate	2.00 %	2.00 %

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is 4,394 thousands.

The weighted average lifetime of the defined benefits plans is 11 years.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

7) Sensitivity analysis

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

	<b>Influences of defined benefit obligations</b>	
	<b>Increased 0.25%</b>	<b>Decreased 0.25%</b>
December 31, 2020		
Discount rate	\$ (4,159)	4,329
Future salary increasing rate	4,247	(4,103)
December 31, 2019		
Discount rate	(4,074)	4,246
Future salary increasing rate	4,183	(4,035)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There were no changes in the method and assumptions used in the preparation of sensitivity analysis for 2020 and 2019.

(ii) Defined contribution plans

The Company allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to 15,872 thousands and 15,527 thousands for the years ended December 31, 2020 and 2019, respectively.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(l) Income Taxes

1. Income taxes

The components of income tax in the years 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Current tax expense		
Current period	\$ 63,274	-
Adjustment for prior periods	(180)	-
Additional tax on undistributed earnings	<u>11,200</u>	<u>15,048</u>
	<u>74,294</u>	<u>15,048</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>40,456</u>	<u>146,454</u>
Tax expenses	<u><u>\$ 114,750</u></u>	<u><u>161,502</u></u>

Reconciliation of income tax and profit before tax for 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Profit before income tax	<u><u>\$ 521,700</u></u>	<u><u>735,056</u></u>
Income tax using the Company's domestic tax rate	104,341	147,011
The amount of tax adjusted according to the tax law	(611)	(557)
Change in provision in prior periods	(180)	-
Additional tax on undistributed earnings	<u>11,200</u>	<u>15,048</u>
	<u><u>\$ 114,750</u></u>	<u><u>161,502</u></u>

(ii) Deferred tax assets and liabilities

Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2020 and 2019 were as follows:

**Deferred Tax Assets:**

	<u>Inventory price loss</u>	<u>Unrealized exchange loss</u>	<u>Convert-tible Bonds</u>	<u>Loss carry- forwards</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2020	\$ 31,095	2,351	-	38,639	4,424	76,509
Recognized in profit or loss	1,479	(2,188)	-	(38,639)	(1,107)	(40,455)
Balance at December 31, 2020	<u><u>\$ 32,574</u></u>	<u><u>163</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>3,317</u></u>	<u><u>36,054</u></u>
Balance at January 1, 2019	\$ 27,435	63,294	127,921	-	4,313	222,963
Recognized in profit or loss	3,660	(60,943)	(127,921)	38,639	111	(146,454)
Balance at December 31, 2019	<u><u>\$ 31,095</u></u>	<u><u>2,351</u></u>	<u><u>-</u></u>	<u><u>38,639</u></u>	<u><u>4,424</u></u>	<u><u>76,509</u></u>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(iii) Examination and Approval

The Company's tax returns for the years through 2018 were examined and approved by the Taichung National Tax Administration.

(m) Capital and Other Equity

As of December 31 2020 and 2019, the number of authorized ordinary shares were 138,571 thousand shares at par value of \$10 per share, amounting to \$1,862,196 thousand.

Reconciliation of shares outstanding for 2020 and 2019 was as follows:

	<b>Ordinary Shares (thousand)</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	138,571	137,961
Exercise of share options	-	610
Balance at December 31	<b>138,571</b>	<b>138,571</b>

(i) Ordinary shares

On June 27, 2019, the Company's Board of Directors approved the appropriation of employee remuneration amounting to \$31,903 thousand by issuing 610 thousand ordinary shares to employees, with the issue date was set on September 16, 2019. All related registration procedures had been completed.

(ii) Capital surplus

The balances of capital surplus as of December 31, 2020 and 2019 were as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Gain on disposal of assets	\$ 305	305
Overdue dividends	559	288
Premium from issued	25,803	25,803
	<b>\$ 26,667</b>	<b>26,396</b>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital increase, by transferring the capital surplus in excess of the par value, should not exceed 10% of the total common stock outstanding.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(iii) Retained Earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

The Company's dividend policy depends on the Company's capital expenditure budget and required working capital. The remaining earnings will be distributed either in cash or in stock dividends, or both. However, the cash dividend can not be less than 10% of the total dividends distributed.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, a portion of the current-period earnings and undistributed prior-period earnings shall be reclassified as special earnings reserve during earnings distribution. The amount to be reclassified should equal the current-period total net reduction of other shareholders' equity. Similarly, a portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions. equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net. The special reserve for the years ended December 31, 2020 and 2019 were \$38,560 thousand, respectively.

3) Earnings distribution

Earnings distribution for 2019 and 2018 were decided via the general meeting of the shareholders held on June 30, 2020 and June 27, 2019, respectively. The relevant dividend distributions to shareholders were as follows:

	2019		2018	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to common shareholders				
Cash	\$ <u>1.2</u>	<u>166,284</u>	<u>4.0</u>	<u>551,843</u>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(iii) OCI accumulated in reserves, net of tax

	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income
Balance at January 1, 2020 (Equal Balance at December 31, 2020)	\$ <u>(38,560)</u>
Balance at January 1, 2019 (Equal Balance at December 31, 2019)	\$ <u>(38,560)</u>

(n) Earnings per Share

1. Basic earnings per share

The details on the calculation of basic earnings per share as of December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company amounting to \$406,951 thousand and \$573,554 thousand, and the weighted average number of ordinary shares outstanding of 138,571 thousand and 138,139 thousand, respectively, as follows:

(i) Profit attributable to ordinary shareholders of the Company

	2020	2019
Profit attributable to ordinary shareholders of the Company	\$ <u>406,951</u>	<u>573,554</u>

(ii) Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	138,571	137,961
Effect of employee share bonus	-	178
Weighted average number of ordinary shares at 31 December	<u>138,571</u>	<u>138,139</u>

2. Diluted earnings per share

The details on the calculation of diluted earnings per share as of December 31, 2020 and 2019 was based on the profit attributable to ordinary shareholders of the Company amounting to \$406,951 thousand and \$573,554 thousand, and the weighted average number of ordinary shares outstanding after adjusting the effects of all dilutive potential ordinary shares of 139,471 thousand and 138,965 thousand, respectively, as follows:

(i) Profit attributable to ordinary shareholders of the Company (diluted)

	2020	2019
Profit attributable to ordinary shareholders of the Company (diluted)	\$ <u>406,951</u>	<u>573,554</u>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(ii) Weighted average number of ordinary shares (diluted)

	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares (basic)	<u><b>138,571</b></u>	<u><b>138,139</b></u>
Effect of dilutive potential ordinary shares		
Effect of employee share bonus	<u>900</u>	<u>826</u>
Weighted average number of ordinary shares (diluted) at December 31	<u><b>139,471</b></u>	<u><b>138,965</b></u>

(o) Revenue from contracts with customers

(i) Details of revenue

	<b>For the year ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Main markets		
United States	\$ 1,784,631	1,689,978
Taiwan	485,529	383,682
Germany	294,443	291,589
Japan	112,334	99,529
Belgium	101,584	123,409
Others	<u>810,792</u>	<u>875,896</u>
	<u><b>\$ 3,589,313</b></u>	<u><b>3,464,083</b></u>
Major products		
Pneumatic nailers	\$ 2,073,237	1,745,964
Automotive air tools	758,492	997,920
Magnesium alloy products	333,127	269,113
Others	<u>424,457</u>	<u>451,086</u>
	<u><b>\$ 3,589,313</b></u>	<u><b>3,464,083</b></u>

(ii) Contract balances

	<b>December 31, 2020</b>	<b>January 1, 2020</b>
Contract liabilities	<u><b>\$ 35,963</b></u>	<u><b>71,040</b></u>

For details on trade receivable and allowance for impairment, please refer to note 6 (c).

The amount of revenue recognized for the year ended December 31, 2020 and 2019, that was included in the contract liability balance at the beginning of the period were \$59,267 thousand and \$40,740 thousand.

(Continued)

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

(p) Remuneration to employees and directors

The Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a minimum of 0.5% will be distributed as employee remuneration, and a maximum of 3% will be allocated as remuneration to directors and supervisors. Employees who are entitled to receive the above mentioned employee remuneration, in share or cash, include the employees of the Company's subsidiaries who meet certain specific requirements.

For the years ended December 31, 2020 and 2019, the Company accrued and recognized its employee remuneration amounting to \$29,622 thousand and \$31,973 thousand, respectively, as well as its remuneration to directors and supervisors amounting to be both \$11,000 thousand, respectively. These amounts were calculated by using the Company's pre-tax net profit for the period before deducting the amounts of the remuneration to employees, directors and supervisors, multiplied by the distribution of ratio of the remuneration to employees, directors and supervisors based on the Company's articles of incorporation, and expensed under operating costs or expenses. If there would be any changes after the reporting date, the changes shall be accounted for as changes in accounting estimates and recognized as profit or lost in the following year.

(q) Non-operating Income and Expenses

(i) Interest income

The details of other income were as follows:

	<u>2020</u>	<u>2019</u>
Bank deposits and foreign bonds	\$ <u>16,690</u>	<u>311,962</u>

(ii) Other gains and losses

The details of other gains and losses were as follows:

	<u>2020</u>	<u>2019</u>
Foreign exchange gains or loss, net	\$ (49,537)	(56,983)
Miscellaneous income	2,027	11,021
Gains (Losses) on disposals of property, plant and equipment	1,139	(237)
Gains or losses on fair value through profit or loss financial assets	-	(29,184)
	\$ <u>(46,371)</u>	<u>(75,383)</u>

(iii) Finance costs

The details of financial costs were as follows:

	<u>2020</u>	<u>2019</u>
<b>Interest expenses:</b>		
Bank loans	\$ <u>-</u>	<u>78,032</u>

(Continued)



**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(r) Financial Instruments

(i) Credit risk exposure

The carrying amount of financial assets and contract assets represents the maximum amount exposed to credit risk.

(ii) Concentration of credit risk

The major customers of the Company are centralized in the hightech computer industry. To minimize credit risk, the Company periodically evaluates their financial positions and the possibility of collecting trade receivables. Besides, the Company monitors and reviews the recoverable amount of the trade receivables to ensure the uncollectible amount are recognized appropriately as impairment loss. As of December 31, 2020 and 2019, 44% and 43%, respectively, of accounts receivable were two and four customers. Thus, credit risk is significantly centralized.

(iii) Receivables and debt securities

For credit risk exposure of note and trade receivables, please refer to note 6(c).

Other financial assets at amortized cost includes other receivables and time deposits. All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. (Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f).)

(iv) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6 months - 1 years</u>	<u>1 - 2 years</u>	<u>2 - 5 years</u>	<u>Over 5 years</u>
<b>December 31, 2020</b>							
<b>Non-derivative financial liabilities</b>							
Notes and Accounts payable	\$ 423,590	423,590	423,590	-	-	-	-
Other payables	<u>396,059</u>	<u>396,059</u>	<u>396,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 819,649</b></u>	<u><b>819,649</b></u>	<u><b>819,649</b></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>December 31, 2019</b>							
<b>Non-derivative financial liabilities</b>							
Notes and Accounts payable	\$ 244,801	244,801	244,801	-	-	-	-
Other payables	<u>374,218</u>	<u>374,218</u>	<u>374,218</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 619,019</b></u>	<u><b>619,019</b></u>	<u><b>619,019</b></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(v) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	December 31, 2020			December 31, 2019				
	Foreign currency	Exchange rates	TWD	Foreign currency	Exchange rates	TWD		
<b><u>Financial assets</u></b>								
<b><u>Monetary items</u></b>								
USD	\$	27,353	28.48	779,026	\$	16,096	29.980	482,564

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, trade and other receivables, and other financial assets (current and non-current); and trade and other payables that are denominated in foreign currency. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. A strengthening (weakening) of 3% of the USD as of December 31, 2020 and December 31, 2019 would have increased (decreased) the net profit after tax by 18,696 and 11,582 thousand. The analysis is performed on the same basis for prior year.

3) Foreign exchange gain and loss on monetary items

Since the Company transacts in different functional currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the year 2019, the foreign exchange gain (loss) (including realized and unrealized portions) amounted to \$174,983, respectively. please refer to note 6(q).

(vi) Interest rate risk

Please refer to the notes on liquidity risk management and interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets with variable interest rates, the analysis is based on the assumption that the amount of assets outstanding at the reporting date was outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.5% when reporting to management internally, which also represents the Company management's assessment of the reasonably possible interest rate change.

If the interest rate had increased / decreased by 0.5 basis points, the Company's net income would have increased / decreased by \$8,999 thousand and \$8,500 thousand for the year ended December 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at variable rates.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(vii) Fair value of financial instruments

1) Fair value hierarchy

The fair value of financial assets and liabilities at fair value through profit or loss, derivative financial instruments used for hedging is measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required :

		December 31, 2020				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through other comprehensive income</b>						
Stocks in unlisted companies	\$	10	-	-	10	10
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents		544,445	-	-	-	-
Notes receivable, accounts receivable and other receivables		906,369	-	-	-	-
Current other financial assets		1,799,700	-	-	-	-
Subtotal		3,250,514	-	-	-	-
	\$	3,250,524	-	-	10	10
<b>Financial liabilities at amortized cost</b>						
Notes payable, accounts payable and other payables		819,649	-	-	-	-
	\$	819,649	-	-	-	-
		December 31, 2019				
		Book Value	Fair Value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through other comprehensive income</b>						
Stocks in unlisted companies	\$	10	-	-	10	10
<b>Financial assets measured at amortized cost</b>						
Cash and cash equivalents		542,488	-	-	-	-
Notes receivable, accounts receivable and other receivables		598,165	-	-	-	-
Current other financial assets		1,700,000	-	-	-	-
Subtotal		2,840,653	-	-	-	-
	\$	2,840,663	-	-	10	10

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

		December 31, 2019				
		Book	Fair Value			
		Value	Level 1	Level 2	Level 3	Total
Financial liabilities:						
Financial liabilities at amortized cost						
Notes payable, accounts payable and other payables	\$	619,019	-	-	-	-
	\$	619,019	-	-	-	-

2) Valuation techniques for financial instruments not measured at fair value

The Company's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Financial assets measured at amortized cost (held-to-maturity financial assets). If quoted prices in active markets are available, the market price is established as the fair value. However, if quoted prices in active markets are not available, the estimated valuation or prices used by competitors are adopted.

3) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation technique including a model using observable market data at the reporting date.

4) Transfers between Level 1 and Level 2

There were no transfers from Level 1 to another in 2020 and 2019.

5) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company's financial instruments that use Level 3 inputs to measure fair value include "financial assets measured at fair value through profit or loss – debt investments" and "fair value through other comprehensive income (available-for-sale financial assets) – equity investments".

(Continued)

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

The Company's equity investment instruments that are not available for active market quotes and are not for short-term trading purposes, the management adopts the recent financial report of the investee company to assess the industry development and view publicly available information, and to examine and Evaluate the operating status and future operating performance of the investee company to assess the fair value of the investee company. Generally, changes in industry and market prospects are highly positively correlated with changes in the operating and future performance of the investee company.

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income (Non-current financial assets measured at cost) equity investments without an active market	Net Asset Value Method	• Net Asset Value	Not applicable

#### (s) Financial Risk Management

##### (i) Overview

The Company is exposed to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Company's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects on these risks exposures, please refer to the respective notes in the accompanying financial statements.

##### (ii) Structure of risk management

The Company's finance department provides business services for the overall internal department. It coordinates the domestic and international financial market operations, as well as supervises and manages the financial risks related to the Company's operation based on the internal risk report on exposure to risk with the analysis of the extent and the width of the risk. Operation of derivative financial instruments is subject to the policy approved by the Board of Directors, which is the documentation regarding exchange rate risk, interest risk, credit risk, operation of derivative and non-derivative financial instruments and investment in the remaining current capital. The internal auditors of the Company continue with the review of the compliance with the policy and the extent of the exposure to risk. The Company has no transactions in financial instruments (including derivative financial instruments) for the purpose of speculation.

(Continued)

## BASSO INDUSTRY CORPORATION

### Notes to the Financial Statements

#### (iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations that arise principally from the Company's receivables from customers and investments in debt securities.

##### 1) Accounts receivables and other receivable

The Company established a credit policy to obtain the necessary collateral to mitigate risks arising from financial loss due to default risk. The Company will transact with corporations having credit ratings equivalent to investment grade, and such ratings are provided by independent rating agencies. When it is not possible to obtain such information, the Company will assess the ratings based on other publicly available financial information and records of transactions with its major customers. The Company continuously monitors its exposure to credit risk and counterparty credit ratings, and establishes sales limits based on credit rating for each of its approved customer. The credit limits for each counterparty are approved and reviewed annually by the Risk Management Committee.

The Company did not have any collateral or other credit enhancements to avoid credit risk of financial assets.

##### 2) Investments

The exposure to credit risk for the bank deposits, fixed income investments, and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, other external parties, corporate organizations, government agencies and financial institutions with good credit rating. The Company expects the counterparties above to meet their obligations; hence, there is no significant credit risk arising from these counterparties.

##### 3) Guarantee

As of December 31, 2020 and 2019, there were no guarantees that were outstanding for both years.

#### (iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. Its management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's unused credit lines amounted to \$200,000 thousand and \$6,250,000 thousand, respectively.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(v) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, which affects the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases, and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily US Dollars (USD).

2) Interest rate risk

The Company adopts a policy of ensuring that exposure to changes in interest rates on borrowings is on a floating-rate basis

3) Other market price risk

The Company is exposed to equity price risk due to the investments in equity securities. This is a strategic investment and is not held for trading. The Company does not actively trade in these investments as the management of the Company minimizes the risk of holding different investment portfolios.

(t) Capital Management

The Company's objective is to manage its capital to safeguard its capacity to continue to operate, and provide a return on shareholders, as well as to maintain the interest of other related parties, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to its shareholders, reduce the capital for redistribution to shareholders, issue new shares, or sell assets to settle any liabilities.

The Company and other entities in the same industry use the debt-to-equity ratio to manage their capital. This ratio is the total net debt, divided by the total capital. The net debt from the balance sheet is derived from the total liabilities, less, cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity, plus, net debt.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

As of December 31, 2020, the Company's capital management strategy is consistent with that of the prior year, and the debt to equity ratio is maintained within 50% to 100% to ensure financing at reasonable cost. The Company's debt to equity ratio at the end of the reporting period was as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Total liabilities	\$ 972,217	732,798
Less: cash and cash equivalents	(544,445)	(542,488)
Net debt	427,772	190,310
Total equity	4,116,934	3,880,947
Adjusted capital	<u>\$ 4,544,706</u>	<u>4,071,257</u>
Debt-to-equity ratio at 31 December	<u>9.41%</u>	<u>4.67%</u>

The increase in accounts payable resulted in an increase in the Company's debt ratio as of December 31, 2020. In addition, stocks were prepared at the end of 2020 to meet the market's growing demand, which led to the increase in inventories in the first quarter of 2021.

(u) Non-cash trading investing and financing activities

The adjustment of liabilities from financing activities are as follows:

	<b>January 1, 2019</b>	<b>Cash flow statement</b>	<b>Change of non-cash</b>			<b>December 31, 2019</b>
			<b>Acquisition</b>	<b>Change of exchange rate</b>	<b>Change of fair value</b>	
Long-term borrowing (include due withing a year)	\$ 1,189,000	(1,189,000)	-	-	-	-
Short-term borrowing	8,993,000	(8,993,000)	-	-	-	-
Total of liabilities from financing activities	<u>\$ 10,182,000</u>	<u>(10,182,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**(7) Related-party transactions:**

Key management personnel compensation

Key management personnel compensation comprised of the following:

	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 39,079	50,158
Post-employment Benefits	543	543
Termination benefits	-	-
Other long-term employee benefits	-	-
Share-based paymen	-	-
	<u>\$ 39,622</u>	<u>50,701</u>

(Continued)



**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

**(8) Pledged assets:**

The carrying values of pledged assets were as follow:

<b>Pledged assets</b>	<b>Object</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land	Guarantee for bank loans	\$ -	105,388
Buildings and structures	Guarantee for bank loans	-	166,213
		<u>\$ -</u>	<u>271,601</u>

**(9) Commitments and contingencies: None.**

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other:**

A summary of current-period employee benefits, depreciation, depletion, and amortization, by function is as follows:

By function	2020			2019		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
By item						
Employee benefits						
Salary	328,536	117,521	446,057	319,294	139,559	458,853
Labor and health insurance	29,851	9,394	39,245	29,818	9,804	39,622
Pension	12,673	4,522	17,195	12,468	4,411	16,879
Director's remuneration	-	18,379	18,379	-	23,293	23,293
Others	11,644	2,344	13,988	11,565	2,320	13,885
Depreciation	75,567	46,863	122,430	65,581	34,057	99,638
Amortization	2,371	9,048	11,419	2,433	11,827	14,260

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

The number of employees in the Company and employee benefits for 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
The number of employees	<u><u>736</u></u>	<u><u>753</u></u>
The number of non-employee directors	<u><u>5</u></u>	<u><u>5</u></u>
Average employee benefits	<u><u>\$ 707</u></u>	<u><u>708</u></u>
Average salary	<u><u>\$ 610</u></u>	<u><u>613</u></u>
Adjustment of average salary	<u><u>(0.49)%</u></u>	<u><u>(1.13)%</u></u>
Supervisor's remuneration	<u><u>\$ 3,360</u></u>	<u><u>3,360</u></u>

The Company's salary and remuneration policy (including directors, supervisors, managers and employees) are as follows:

1. Remuneration to directors and supervisors

The Board is authorized to determine the salary for the directors and supervisors, taking into account the extent and value of the services they provided for the Company, as well as the level within the same industry in Taiwan. In addition, the Company's articles of incorporation, which were authorized by the board of directors but has yet to be approved by the shareholders, require that earnings shall first be offset against any deficit, then, a maximum of 3% will be allocated as remuneration to directors and supervisors.

2. Remuneration to executive officers

- (1) Ensure that the Company's salary and remuneration policies comply with relevant laws and regulations to attract talents.
- (2) The remuneration and performance bonuses of executive officers are with reference to the industry practice in the R.O.C.; and the total remuneration paid to executive officers is decided based on their contribution to the Company, job responsibility, achievement of their individual goals, and the achievement of the Company's performance on short-term and long-term business goals, as well as the projected future risks the Company will face.
- (3) The executive officers can not violate the Company's policy in order to get more bonuses.
- (4) The Company determines the percentage of bonus on business performance and the timing of bonus payment based on operating results and industry practice in the R.O.C.

3. The Company's remuneration policies

The Company's remuneration policies are in accordance with the Company's "Rules for Compensation to Employees" and "Rules for performance of Employees"

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

**(13) Other disclosures:**

- (a) Information on significant transactions: None.

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Company:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

(In Thousands of New Taiwan Dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock-COTA commercial bank	None	FVOCI	2	10	-%	13	
The Company	Stock-GATETECH	None	FVOCI	225	-	0.39%	11	

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock: None.
- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant intercompany transactions: None.
- (b) Information on investments: None.
- (c) Information on investment in mainland China: None.

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Ba Wei Investment Co., Ltd.		13,507,138	9.74 %
Fubon Life Insurance Co., Ltd.		7,234,000	5.22 %

**(14) Segment information:**

(a) General information

The Company has one reportable segment, the pneumatic hand tool. This segment is mainly involved in manufacturing and selling Nail machine and pneumatic tools, providing products and manage relevant skills and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations

The Company uses the internal management report that the chief operating decision maker reviews as the basis to determine the resource allocation and make a performance evaluation. The internal management report includes profit before taxation.

The segment profit includes depreciation and amortization expenses, income tax expense (income), unusual profit (loss), and other significant non-monetary items. The reporting amount is the same with that of the chief operating decision maker's.

There is no inconsistency between the accounting principles of the operating segment and the accounting principle described in Note 4. All reportable segments of the Company is consistent with the financial statements. Please refer to the balance sheet and comprehensive income statement.

(c) Production and service information

Revenue from the external customers of the Company was as follows:

<b>Product and services</b>	<b>2020</b>	<b>2019</b>
Pneumatic nailers	\$ 2,073,237	1,745,964
Automotive air tools	758,492	997,920
Magnesium alloy products	333,127	269,113
Others	424,457	451,086
	<b>\$ 3,589,313</b>	<b>3,464,083</b>

(Continued)

**BASSO INDUSTRY CORPORATION**  
**Notes to the Financial Statements**

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

<b>Geographical information</b>	<b>2020</b>	<b>2019</b>
United States	\$ 1,784,631	1,689,978
Taiwan	485,529	383,682
Germany	294,443	291,589
Japan	112,334	99,529
Belgium	101,584	123,409
Danmark	90,019	77,507
Switzerland	69,664	86,654
Other countries	651,109	711,735
	<b>\$ 3,589,313</b>	<b>3,464,083</b>

Non-current assets:

<b>Geographical information</b>	<b>2020</b>	<b>2019</b>
Taiwan	<b>\$ 1,000,242</b>	<b>1,012,901</b>

Non-current assets include property, plant and equipment, investment property, intangible assets, and other assets; excluding financial instruments, deferred tax assets, pension fund assets, and rights arising from an insurance contract (non-current).

(e) Major customers

	<b>2020</b>	<b>2019</b>
A customer of pneumatic hand tool division	<b>\$ 724,186</b>	<b>562,314</b>

**Basso Industry Corporation**  
**List of cash and bank deposits**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash	Petty cash	\$ 100
	Foreign currency(USD7,164.74×30.7522	
	JPY467,000 ×0.28547	
	EUR3,260 ×35.2316	
	HKD640 ×3.9422	
	CNY16,962.5 ×4.41243	
	GBP2,905 ×41.2180	
	KWR190,000 ×0.02911	671
Bank deposits	Demand deposit and time deposit	494,605
	Foreign currency(USD1,296,938.95×28.48	
	JPY254,342×0.2763	
	EUR344,431.85×35.02	
	CAD3.03×22.35)	49,069
		<u>\$ 544,445</u>

**Basso Industry Corporation**  
**List of notes and accounts receivable**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Client's name</u>	<u>Description</u>	<u>Amount</u>
Notes Receivable :		
Menards, Inc.	Operating	\$ 3,417
Ren Yow Industrial Co., Ltd.	"	559
Tone House Designs Co., Ltd.	"	588
Others (Note)	"	<u>5,175</u>
		<u><b>\$ 9,739</b></u>
Accounts Receivable :		
B&D Macao Coml Offshore Ltd	Operating	\$ 91,109
Techtronic Trading Ltd	"	302,982
Others (Note)	"	<u>492,518</u>
		886,609
Allowance lost		<u>(1,833)</u>
		<u><b>\$ 884,776</b></u>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.

**Other receivable list**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other receivable	Interest receivable and others	<u><b>\$ 11,854</b></u>

**Basso Industry Corporation**  
**List of other current financial assets**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other financial asset	Time deposits with maturities of more than three months	<u><u>\$ 1,799,700</u></u>

**Inventory list**

<u>Item</u>	<u>Amount</u>		<u>Notes</u>
	<u>Cost</u>	<u>Market price</u>	
Commodity	\$ 3	2	Net realizable value
Financial goods	139,623	158,514	Net realizable value
Work in process	341,765	326,805	Net realizable value
Raw materials	<u>345,717</u>	<u>324,557</u>	Replacement cost
	827,108	<u><u>809,878</u></u>	
Allowance for sluggish loss	<u>(162,868)</u>		
	<u><u>\$ 664,240</u></u>		



**Basso Industry Corporation**  
**List of prepaid expenses and other current assets**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Prepayments	Prepaid receipts	\$ 3,060
	Other prepaid expenses	<u>8,296</u>
		<u>11,356</u>
Tax refund	Business tax	22,281
Other current assets	Temporary payment	<u>813</u>
		<u>23,094</u>
		<u><u>\$ 34,450</u></u>

**Basso Industry Corporation**  
**List of changes in P.P.E and accumulated depreciation**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b>Item</b>	<b>Opening balance</b>	<b>Increased</b>	<b>Decreased</b>	<b>Reclassify</b>	<b>Ending balance</b>	<b>Notes</b>
<b>Cost :</b>						
Land	\$ 305,349	-	-	-	305,349	
Building and structure	667,373	1,137	(1,712)	130	666,928	
Machinery equipment	1,850,912	13,989	(29,222)	101,690	1,937,369	
Other equipment	<u>147,612</u>	<u>4,168</u>	<u>(9,547)</u>	<u>6,067</u>	<u>148,300</u>	
	<u>2,971,246</u>	<u>19,294</u>	<u>(40,481)</u>	<u>107,887</u>	<u>3,057,946</u>	
<b>Accumulated depreciation :</b>						
Building and structure	293,178	18,896	(1,642)	-	310,432	Note1
Machinery equipment	1,600,738	93,617	(28,711)	-	1,665,644	Note1
Other equipment	<u>117,086</u>	<u>9,917</u>	<u>(9,547)</u>	<u>-</u>	<u>117,456</u>	Note1
	<u>2,011,002</u>	<u>122,430</u>	<u>(39,900)</u>	<u>-</u>	<u>2,093,532</u>	
	<u><b>\$ 960,244</b></u>	<u><b>(103,136)</b></u>	<u><b>(581)</b></u>	<u><b>107,887</b></u>	<u><b>964,414</b></u>	

Note1 : The reclassify of this period consisted of the transfer of prepayment of equipment into the amount of 94,823 thousand and the transfer of inventory of 13,064 thousand.

**Basso Industry Corporation**  
**For the year ended December 31, 2020**  
**List of changes in intangible assets**  
**(expressed in thousands of New Taiwan dollars)**

Please refer to 6 (g) for related information.

**List of other non-current assets**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Other Non-current assets	Refundable deposits	\$ 1,509
	Prepaid equipment	18,834
	Prepayment	44
		<u>\$ 20,387</u>

**List of notes and accounts payable**

<u>Supplier's name</u>	<u>Description</u>	<u>Amount</u>
Notes payable		
Others (Note)	"	\$ <u>6,369</u>
Account payable		
JIU DAI PRECISION IND. CO., LTD	"	\$ 38,150
CHANG HANG ENTERPRISE Co., LTD	"	26,384
Others (Note)	"	352,687
		<u>\$ 417,221</u>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.

**Basso Industry Corporation**  
**List of accrued expenses and other current liabilities**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Description</u></b>	<b><u>Amount</u></b>
Other payable	Payroll payable	\$ 93,411
	Processing fee payable	104,155
	Employee bonus and director's compensation payable	40,622
	Advertising payable	32,425
	Others (Note)	<u>125,446</u>
		<u>396,059</u>
Other current liabilities	Temporary payment—other	673
	Collection payment	<u>695</u>
		<u>1,368</u>
		<b><u>\$ 397,427</u></b>

Note: If the amount does not exceed 5% of the balance of the account, it will not be listed separately.

**Basso Industry Corporation**  
**List of net operating income**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<b><u>Item</u></b>	<b><u>Quantity</u></b>	<b><u>Amount</u></b>
Pneumatic nailers	961,469	\$ 2,073,237
Automotive air tools	429,757	758,492
Magnesium alloy products	3,042,570	333,127
Others		<u>424,157</u>
		<b><u>\$ 3,589,013</u></b>

**Basso Industry Corporation**  
**List of cost of goods sold**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u><b>Item</b></u>	<u><b>Amount</b></u>
Commodity	
Commodity, beginning of year	\$ 10
Plus : commodity purchased	2,741
Less : commodity, end of year	(3)
Cost of goods sold	<u>2,748</u>
Raw materials	
Raw materials, beginning of year	315,965
Plus : raw materials purchased	1,684,033
Less : raw materials, end of year	(345,717)
Sale of raw materials	(206,019)
Loss on physical inventory	(3)
Scrapped	(11,084)
Others	(15,803)
Raw materials used	<u>1,421,372</u>
Direct labor	169,969
Manufacturing expenses	<u>999,653</u>
Manufacturing costs	2,590,994
Plus : work-in-process, beginning of year	277,849
Less : work-in-process, end of year	(341,765)
Cost of finished goods	<u>2,527,078</u>
Plus : finished goods, beginning of year	112,609
finished goods purchased	14,257
Less : finished goods, end of year	(139,623)
Scrapped	(185)
Transferred to fixed assets	(13,064)
Others	(11,255)
Self-made sales cost	<u>2,489,817</u>
Sale of raw material	206,019
Revenue from sale of scraps	(34,476)
Preparation for warranty	(760)
Scrapped	11,269
Inventory decline and sluggish loss	7,394
Others	(1,646)
Operating cost	<u><u>\$ 2,680,365</u></u>

**Basso Industry Corporation**  
**List of operating expenses**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Sales expense</u>	<u>Administration</u>	<u>Research expense</u>
Salary expenditure	\$ 27,641	56,547	55,072
Freight	14,017	-	-
Employee benefits	326	7,066	582
Depreciation	1,272	990	44,601
Advertising expense	22,232	-	-
Sample fee	26	-	20,290
Commision	9,358	-	-
Export fee	20,505	-	-
Professional service fees	-	10,728	49
Mold fee	15	-	12,750
Others (note)	9,154	12,584	41,218
	<u>\$ 104,546</u>	<u>87,915</u>	<u>174,562</u>

Note: If the amount does not exceed 5% of the account, it will not be disclosed seperately.

**Basso Industry Corporation**  
**List of non-operating income and expenses**  
**For the year ended December 31, 2020**  
**(expressed in thousands of New Taiwan dollars)**

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Non-operating income :		
Interest revenue — bank deposits and bonds	Non-operating	\$ 16,690
Profit on disposal of fixed assets	"	1,139
Others (note)	"	<u>2,027</u>
		<b>\$ <u>19,856</u></b>
Non-operating expense :		
Financial assets valuation loss	"	<u>49,537</u>
		<b>\$ <u>49,537</u></b>

Note: If the amount does not exceed 5% of the account, it will not be disclosed separately.