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PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the years ended December 31, 2023 and 2022

Address: No. 6, Bengong Rd., Gangshan Dist., Kaohsiung City

Company Phone: (07) 623-3690

Consolidated Financial Statements

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Statement

We prepared the consolidated financial statements for 2023 (from January 1, 2023 to December 31, 2023) according to the "Preparation Guidelines for Consolidated Business Reports, Consolidated Financial Statements and Relationship Reports of Related Entities", are the same as those included in the consolidated financial statements of intercompany according to IFRS 10. All related information that should be disclosed in the consolidated financial statements of the intercompany is already included in the consolidated financial statements. Therefore, we do not prepare an additional set of consolidated financial statements for intercompany.

Hereby declare

Company: Ping Ho Environmental Technology Co., Ltd.

Chairman: Ming-Yang Wu

March 12, 2024

Independent Auditors’ Report

To the Board of Directors and Stockholders of Ping Ho Environmental Technology Co., Ltd.

Opinion

The consolidated balance sheets of Ping Ho Environmental Technology Co., Ltd. and subsidiaries (the “Group”) as of December 31, 2023, and December 31, 2022, along with the consolidated statements of comprehensive income, consolidated statements of changes in equity, consolidated statements of cash flows, and notes to the consolidated financial statements (including a summary of significant accounting policies) for the periods January 1 through December 31 of the years 2023 and 2022 have been audited by our auditors.

According to the opinion of our auditor, the aforementioned consolidated financial statements have been prepared in accordance with the Securities Issuance Company Financial Reporting Standards, International Financial Reporting Standards (“IFRS), International Accounting Standards (“IAS”), IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and are sufficient to fairly present the consolidated financial position of the Group as of December 31, 2023 and December 31, 2022, as well as the consolidated financial performance and consolidated cash flows for the period from January 1 to December 31, 2023 and January 1 to December 31, 2022.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Statements by Certified Public Accountants and Standards on Auditing. Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. The personnel affiliated with the accounting firm, in accordance with the regulations on independence, have maintained absolute independence from the Group and fulfilled other responsibilities under the code of professional ethics for accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters refer to the most significant matters in the audit of the financial statements of the Group for the year of 2023, as determined by our professional judgment as auditors. These matters were addressed during the audit of the consolidated financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

Revenue Recognition

The Group primarily derives its operating income from revenue generated by the treatment of wastewater. The recognition of revenue, in terms of amount and timing, is influenced by the existence and integrity of transactions with the numerous clients entrusted with wastewater processing. Therefore, we identified the recognition of revenues as a key audit matter.

Our audit procedures include (but not limited to) understanding and evaluating the appropriateness of the primary internal control design related to revenue recognition and testing its effectiveness; confirming the validity of the emission qualifications approved by environmental authorities, confirming that it's a polluting factory within the zone and obtaining a triple receipt from the Environmental Protection Agency, verifying the accuracy of the report information used by management to calculate revenues, including spot-checking the billing items and handling volumes in the report to the contract content and related weigh note, as well as checking the accuracy and reasonableness of its calculations. Also, according to the terms set by the contract, as well as whether the processing volume stated in the documents reported to the external environmental agencies is consistent with the company's records, to confirm the appropriate recognition of revenue. In addition, we also considered the appropriateness of the disclosures about operating revenue in Note 4 and Note 6 of the financial statements.

The responsibility of the management and governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms, the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission. Management is also responsible for maintaining necessary internal control relevant to the preparation of the consolidated financial statements to ensure that the consolidated financial statements are free from material misstatement by fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group to continue as a going concern, making relevant disclosures, and adopting the going concern basis of accounting unless the management intends to liquidate the company, cease operations, or has no other practical alternative apart from liquidation or cessation of operations.

The governance body of the Group (including the Audit Committee) bears the responsibility for overseeing the financial reporting process.

Auditors' responsibility for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that can sufficiently and appropriately form the 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 controls related to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of their accounting estimates and relevant 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 a material uncertainty exits related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements (including the attached notes) and whether the consolidated financial statements represent the underlying transactions and events in a fair manner.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that er 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 of the Group that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters 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 communicate.

Others

Ping Ho Environmental Technology Co., Ltd. has prepared its individual financial statements for the years ended December 31, 2023 and 2022, and the unmodified auditors' reports have been issued for reference.

Ernst & Young Taiwan
The Competent Authority approves the public issuance of the company's financial statements.

Audit Verification Document Number:	Financial-Supervisory-Securities-Auditing No.1010045851 Financial-Supervisory-Securities-Auditing No.1100352201

Auditor:	Fang-Wen Lee Kuo-Sen Hung

March 12, 2024

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

	ASSETS		December 31, 2023		December 31, 2022	
Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%
	Current assets					
1100	Cash and cash equivalents	(4)/(6).1	$156,888	12	$109,131	9
1136	Current financial assets at amortized cost	(4)/(6).2	60,000	5	100,000	8
1150	Bills receivable, net	(4)/(6).3	27,517	2	27,411	2
1170	Accounts receivable, net	(4)/(6).4	86,133	7	93,473	7
1180	Accounts receivable - related parties	(4)/(6).4/(7)	1,215	0	289	0
1200	Other receivables	(4)	4,222	0	4,339	0
1210	Other receivables - related parties	(7)	84	0	84	0
1220	Current tax assets	(4)/(6).18	−	−	1	0
130x	Inventory	(4)/(6).5	2,849	0	5,127	0
1410	Prepayments	(7)	22,941	2	21,472	2
11xx	Total current assets		361,849	28	361,327	28
	Non-current assets					
1600	Property, plant, and equipment	(4)/(6).6/(7)/(8)	880,480	68	901,821	70
1840	Deferred tax assets	(4)/(6).18	24,607	2	18,435	1
1990	Other non-current assets	(6).8/(7)	22,345	2	16,452	1
15xx	Total non-current assets		927,432	72	936,708	72
1xxx	Total assets		$1,289,281	100	$1,298,035	100

	LIABILITIES AND EQUITY		December 31, 2023		December 31, 2022	
Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	(6).9	$110,000	9	$97,000	7
2150	Bills payable		21,093	2	26,678	2
2170	Accounts payable		9,283	0	17,590	1
2200	Other payables		76,928	6	62,014	5
2220	Other payables - related parties	(7)	3,019	0	8,347	1
2230	Current tax liabilities	(4)/(6).18	18,392	1	9,337	1
2322	Long-term borrowings - current portion	(6).10	48,679	4	47,300	4
2399	Other current liabilities		1,066	0	602	0
21xx	Total current liabilities		288,460	22	268,868	21
	Non-current liabilities					
2540	Long-term borrowings	(6).10	264,842	21	312,708	24
25xx	Total non-current liabilities		264,842	21	312,708	24
2xxx	Total liabilities		553,302	43	581,576	45
	Equity attributable to owners of parent	(6).12				
3100	Share Capital					
3110	Common stock		291,795	23	291,795	23
3200	Capital surplus		146,721	11	146,721	11
3300	Retained earnings					
3310	Legal reserve		83,711	6	68,535	5
3350	Undistributed earnings		203,668	16	196,937	15
	Total retained earnings		287,379	22	265,472	20
31xx	Equity attributable to owners of parent		725,895	56	703,988	54
36xx	Non-controlling interests	(4)/(6).12	10,084	1	12,471	1
3xxx	Total equity		735,979	57	716,459	55
	Total liabilities and equity		$1,289,281	100	$1,298,035	100

(Refer to the Notes to the Consolidated Financial Statements)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

Code	Item	Notes	2023		2022	
			AMOUMT	%	AMOUNT	%
4000	Operating revenue	(4)/(6).13/(7)	$609,242	100	$672,972	100
5000	Operating costs	(6).16/(7)	(314,610)	(52)	(370,881)	(55)
5900	Gross profit		294,632	48	302,091	45
6000	Operating expense	(6).16/(7)				
6200	Administrative expenses		(107,525)	(18)	(108,131)	(16)
6300	Research and development expense		(13,841)	(2)	(12,322)	(2)
	Total operating expenses		(121,366)	(20)	(120,453)	(18)
6900	Net operating income		173,266	28	181,638	27
7000	Non-operating income and expenses	(6).17/(7)				
7100	Interest income		1,574	0	579	0
7010	Other income		1,265	0	1,680	0
7020	Other gains and losses		(1,031)	(0)	(792)	(0)
7050	Finance costs		(10,385)	(1)	(8,979)	(1)
	Total non-operating income and expenses		(8,577)	(1)	(7,512)	(1)
7900	Profit before income tax		164,689	27	174,126	26
7950	Income tax expenses	(4)/(6).18	(28,451)	(5)	(26,349)	(4)
8200	Net profit after income tax		136,238	22	147,777	22
8500	Total comprehensive income for the period		$136,238	22	$147,777	22
8600	Profit, attributable to:					
8610	Owners of the parent		$138,846	23	$151,762	23
8620	Non-controlling interests		(2,608)	(1)	(3,985)	(1)
			$136,238	22	$147,777	22
8700	Total comprehensive income attributable to:					
8710	Owners of the parent		$138,846	23	$151,762	23
8720	Non-controlling interests		(2,608)	(1)	(3,985)	(1)
			$136,238	22	$147,777	22
	Earnings Per Share (NT$)					
9750	Basic earnings per share:	(4)/(6).19	$4.76		$5.20	
9850	Diluted earnings per share:	(4)/(6).19	$4.73		$5.16	

(Refer to the Notes to the Consolidated Financial Statements)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

	Item	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings		Total		
				Legal reserve	Undistributed earnings			
Code		3110	3200	3310	3350	31XX	36XX	3XXX
A1	Balance, January 1, 2022	$291,795	$146,721	$52,667	$184,052	$675,235	$16,001	$691,236
	Appropriation of 2021 earnings:							
B1	Legal reserve appropriated	—	—	15,868	(15,868)	—	—	—
5	Cash dividends on ordinary shares	—	—	—	(122,554)	(122,554)	—	(122,554)
D1	Net income after tax for the year	—	—	—	151,762	151,762	(3,985)	147,777
D3	Other comprehensive income for the year	—	—	—	—	—	—	—
D5	Total comprehensive income for the period	—	—	—	151,762	151,762	(3,985)	147,777
M7	Changes in ownership interests in subsidiaries	—	—	—	(455)	(455)	—	(455)
O1	Change in non-controlling interests	—	—	—	—	—	455	455
Z1	Balance, December 31, 2022	$291,795	$146,721	$68,535	$196,937	$703,988	$12,471	$716,459
A1	Balance, January 1, 2023	$291,795	$146,721	$68,535	$196,937	$703,988	$12,471	$716,459
	Appropriation of 2021 earnings:							
B1	Legal reserve appropriated	—	—	15,176	(15,176)	—	—	—
B5	Cash dividends on ordinary shares	—	—	—	(116,718)	(116,718)	—	(116,718)
D1	Net income after tax for the year	—	—	—	138,846	138,846	(2,608)	136,238
D3	Other comprehensive income for the year	—	—	—	—	—	—	—
D5	Total comprehensive income for the period	—	—	—	138,846	138,846	(2,608)	136,238
M7	Changes in ownership interests in subsidiaries	—	—	—	(221)	(221)	—	(221)
O1	Change in non-controlling interests	—	—	—	—	—	221	221
Z1	Balance, December 31, 2022	$291,795	$146,721	$83,711	$203,668	$725,895	$10,084	$735,979

(Refer to the Notes to the Consolidated Financial Statements)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

Code	Item	2023 AMOUNT	2022 AMOUNT
AAAA	Cash flows from operating activities		
A10000	Profit before tax	$164,689	$174,126
A20000	Adjustments:		
A20010	Profit and loss items		
A20100	Depreciation	47,335	45,189
A20200	Amortization	—	61
A20900	Interest expenses	10,385	8,979
A21200	Interest income	(1,574)	(579)
A22500	Gain (Loss) on disposal of property, plant and equipment	(95)	59
A29900	Others	148	133
A30000	Changes in operating assets/liabilities:		
A31130	Increase in bills Receivable	(106)	(2,058)
A31150	Decrease (Increase) in accounts receivable	7,340	(4,312)
A31160	Increase in accounts receivable - related parties	(926)	(276)
A31180	Decrease in other receivables	163	2,073
A31190	Increase in other receivables - related parties	—	(42)
A31200	Adjustments for decrease (Increase) in inventories	2,130	(601)
A31230	Decrease (Increase) in other prepayments	(1,469)	1,590
A31240	Decrease in other current assets	—	98
A32130	Increase (Decrease) in bills payable	(5,585)	4,760
A32150	Increase (Decrease) in accounts payable	(8,307)	3,352
A32180	Increase in other payables	14,833	239
A32190	Increase (Decrease) in other payables to related parties	(5,328)	5,436
A32230	Adjustments for increase (decrease) in other current liabilities	464	(76)
A33000	Cash inflow from operations	224,097	238,151
A33100	Interest received	1,528	579
A33500	Income tax paid	(25,567)	(52,591)
AAAA	Net cash inflow from operating activities	200,058	186,139

Code		2023 AMOUNT	2022 AMOUNT
BBBB	Cash flows from investing activities		
B00040	Acquisition of financial assets at amortized cost	(100,000)	(100,000)
B00050	Proceeds from disposal of financial assets at amortized cost	140,000	—
B02700	Acquisition of property, plant and equipment	(20,119)	(19,565)
B02800	Loses (Gains) disposal of property, plant and equipment	95	1,350
B06600	Decrease in other financial assets	—	1,000
B06700	Increase in other non-current assets	(11,768)	(7,472)
BBBB	Net cash inflow (outflow) from investing activities	8,208	(124,687)
CCCC	Cash flows from financing activities		
C00100	Increase in short-term loans	148,000	177,000
C00200	Decrease in short-term loans	(135,000)	(18,000)
C01600	Proceeds from long-term borrowings	6,000	—
C01700	Repayments of long-term debt	(52,487)	(42,873)
C02500	Decrease in financial liabilities at amortized cost	—	(365)
C04500	Cash dividends paid	(116,718)	(122,554)
C05600	Interest paid	(10,304)	(8,928)
CCCC	Net cash outflow from financing activities	(160,509)	(195,720)
EEEE	Net (decrease) increase in cash and cash equivalents	47,757	(134,268)
E00100	Cash and cash equivalents at beginning of period	109,131	243,399
E00200	Cash and cash equivalents at end of period	$156,888	$109,131

(Refer to the Notes to the Consolidated Financial Statements)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

I. History and organization

Ping Ho Environmental Technology Co., Ltd. (the "Company") was established in August 2006. The Company is primarily engaged in operating the Wastewater Treatment industry. The Company's place of registration and principal place of business is located at No. 6, Bengong Rd., Gangshan Dist., Kaohsiung City.

II. The date of authorisation for issuance of the Consolidated Financial Statements and Procedures for Authorisation

The Company and subsidiaries (the “Group”) consolidated financial statements for the years 2023 and 2022 were authorized for issuance by the Board of Directors on March 12, 2024.

III. Application of New Standards, amendments and Interpretations

1. Accounting policy amendments arising from new issuances of International Financial Reporting Standards.

   The Group has adopted the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Financial Reporting Interpretations or Interpretations bulletins that have been endorsed by the Financial Supervisory Commission ("FSC") and are effective from 2023. The initial application of the new standards and amendments had no significant impact to the Group.

2. As of the date the financial statements were authorized for issuance, the Group has not yet adopted the following New Standards, Amendments and Interpretations issued by the IASB and endorsed by the FSC:

Items	New Standards/Interpretations/Amendments	Effective date by International Accounting Standards Board
1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2024
2	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	January 1, 2024
3	Non-current liabilities in the contract (Amendments to IAS 1)	January 1, 2024
4	Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	January 1, 2024

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

Amendment to paragraphs 69 to 76 of the Accounting Standard No. 1 "Presentation of Financial Statements" on the Classification of Liabilities as Current or Non-current.

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

Relation to the addition of extra accounting treatment to IFRS 16 "Leases" to enhance the consistent application of the standard for sellers who are also lessees in sale and leaseback transactions.

(3) Non-current liabilities in the contract (Amendments to IAS 1)

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Amendment is to enhance the information provided by enterprises about long-term debt contracts. Remark on the contractual obligations that need to be complied with for the twelve months after the reporting period does not affect the classification of these liabilities as current or non-current at the end of the reporting period.

(4) Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

In addition to adding explanations of Supplier Finance Arrangements, the amendment also includes new disclosures related to Supplier Finance Arrangements.

The above are the New Standards, Interpretations and Amendments that have been issued by the IASB and endorsed by the FSC from 2024. No significant impact to the Group.

3. As of the date the financial statements were authorized for issuance, the Group has not adopted the following New Standards, Interpretations and Amendments issued by the IASB, but not yet endorsed by the FSC

Items	New Standards/Interpretations/Amendments	Effective date by International Accounting Standards Board
1	Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	Not decided yet
2	IFRS 17 "Insurance Contracts"	January 1, 2023
3	Lack of convertibility (Amendments to IAS 21)	January 1, 2025

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

Addressing the inconsistency between IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures", concerning the loss of control when a subsidiary is used to invest in an associate or joint venture. IAS 28 provides that when non-monetary assets are contributed to exchange for equity in an associate or a joint venture, the share of profits or losses generated should be eliminated according to the upstream transaction. IFRS 10, however, provides that the full profit or loss should be recognized when control over a subsidiary is lost. The amendment limits the aforementioned provisions of IAS 28. When the sale or contribution of assets constitutes a business as defined in IFRS 3, any gain or loss should be recognized in full.

Amendment also modifies IFRS 10 so that when an investor sells or contributes assets that do not constitute a business as defined in IFRS 3 between it and its associate or joint venture, the gains or losses arising from it are recognized only to the Scope of Review which does not belong to the share enjoyed by the investor.

(2) IFRS 17 "Insurance Contracts"

The standard provides a comprehensive model for insurance contracts, covering all accounting-related parts (recognition, measurement, presentation, and disclosure principles). The core of the standard is a general model in which the initial recognition of a group of insurance contracts is measured by the sum of the fulfillment cash flows and the contractual service margin. The Carrying Amount is the sum of the remaining coverage liability and the liability for incurred claims at the end of each reporting period.

In addition to the general model, it also provides a specific application method for contracts with direct participation features (Variable Fee Approach) and a simplified method for short-term contracts (Premium Allocation Approach).

The standard was released in May 2017 and subsequently amended in 2020 and 2021. Except for a 2-year delay in the effective date in the transitional provisions (i.e., from January 1, 2021, to January 1, 2023) and additional exemptions provided, these amendments also led to cost reduction for applying the standard by streamlining some provisions and made some cases easier to interpret by revising some provisions. The effectiveness of the standard will replace the transitional standard (i.e., IFRS 4 "Insurance Contracts").

(3) Lack of convertibility (Amendments to IAS 21)

The amendment is a remark on the convertibility and lack of convertibility between currencies, how the exchange rate is determined when the currency is not convertible, and additions of extra disclosure rules when the currency lacks convertibility. Amendments are effective from 2025.

The above standards or interpretations issued by the IASB but not yet endorsed by the FSC will take effect in accordance with the regulations of FSC. The Group assessed that the new standards, interpretations and amendments have no significant impact to the Group.

IV. Summary of Significant Accounting Policies

1. Compliance statement

The consolidated financial statements of the Group for the years 2023 and 2022 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Firms and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the FSC.

2. Basis of Preparation

Except for financial instruments measured at fair value, the consolidated financial statements are prepared on a historical cost basis. Unless otherwise stated, the consolidated financial statements are in thousands of New Taiwan dollars.

3. Consolidation Overview

Basis of Consolidated Financial Statement Preparation

Control is achieved when the Company is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Especially, The Company only controls the investee when the following three control elements are present:

(1) Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities)
(2) Returns and rights from changes in participation in investee, and
(3) The ability to use its power over the investee to affect the amount of the investee's returns.

When the Company directly or indirectly holds less than a majority of voting or similar rights of an investee, all relevant facts and circumstances are taken into account by the Company in assessing whether it has power over the investee, including:

(1) Contract agreements with other voting rights holders of the investee
(2) Rights generated from other contract agreements
(3) Voting Rights and Potential Voting Rights

When facts and circumstances indicate that there has been a change in one or more of the three control elements, the Company reassess whether it still has control over the investee.

Subsidiaries are included in the consolidated statements in their entirety from the date of acquisition or from the date the Company gains substantial control over them, until the date when control over the subsidiary is lost. The accounting period and policies of the subsidiary's financial statements are consistent with those of the parent. Intercompany account balances, transactions, unrealized intercompany profits and losses originated from intercompany transactions and dividends, are completely eliminated.

Changes in the shareholding of the subsidiary, if control over the subsidiary is not lost, the shareholding change is treated as an equity transaction.

The total comprehensive income of the subsidiary is attributed to the owners of The Company and non-controlling interests, even if non-controlling interests are thus resulted in a deficit.

If the Company loses control over subsidiary, then

(1) Derecognition of Subsidiary's Assets (including Goodwill) and Liabilities;
(2) Excluding the carrying amount of any non-controlling interests;
(3) Recognize the fair value of the acquisition consideration;
(4) Recognize the Fair Value of any retained Investments;
(5) Reclassification of the amount previously recognized in Other Comprehensive Income of the parent as current period profit or loss, or directly transferred to Retained Earnings in accordance with the provisions of other IFRS;
(6) The difference recognized is the current profit (loss).

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

The entities preparing the consolidated financial statements are as follows:

Investment Company	Subsidiary Name	Main Business	Proportion of Equity Ownership (%) 2023.12.31	2022.12.31
The Company	Ping Ho Materials Technology Co., Ltd.	Wastewater Treatment	92.66% Note	88.08%
The Company	Ching Jing Industrial Co., Ltd.	Waste Transportation	100.00%	100.00%
The Company	Wan Jing Industrial Co., Ltd.	Waste Transportation	100.00%	100.00%
The Company	Feng Jia Industrial Co., Ltd.	Manufacture and wholesa of chemical raw materials	100.00%	100.00%

Note: Ping Ho Materials Technology Co., Ltd. resolved to carry out a capital reduction to offset accumulated deficits of NT$27,600 thousand in July 2023 and resolved to carry out a capital increase by issuing new shares of NT$57,600 thousand, which were all subscribed by the Company. The shareholding ratio increased to 92.66%.

4. Classification of current and non-current items

In one of the following situations, it is classified as current assets, and if it is not current assets, it is classified as non-current assets.

(1) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle
(2) Assets held mainly for trading purposes.
(3) Assets that are expected to be realized within twelve months after the reporting period.
(4) Cash or cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the reporting period.

In any of the following situations, it is classified as current liabilities, and if it is not current liabilities, it is classified as non-current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.
(2) Liabilities arising mainly from trading activities.
(3) Liabilities that are to be settled within twelve months from the reporting period.
(4) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the reporting period. Terms of Liability that could, at the option of the counterparty, results in its settlement by the issue of equity instruments do not affect its classification.

5. Cash and cash equivalents

Cash and cash equivalents are cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, including time deposits and investments with a term of three months or less.

6. Financial Instruments

Financial Assets and Financial Liabilities are recognized when the Group becomes a party to the contractual terms of the financial instrument.

Financial assets and financial liabilities within the scope of application of IFRS No.9 "Financial Instruments" are measured at fair value at the time of initial recognition. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities (except for Financial Assets and Liabilities at FVTPL) are added to or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and Measurement of Financial Assets

The recognition and derecognition of all routine transaction financial assets of the Group accounted for based on the transaction date.

The Group classifies financial assets into subsequent measurement at amortized cost, at fair value through other comprehensive income, or fair value through profit or loss based on the following two criteria:

A. Business Model of Managing Financial Assets
B. The Contractual Cash Flow characteristics of Financial Assets

<u>Financial assets at amortized cost</u>

Financial assets that meet both of the following conditions are measured at amortized cost, and are presented as items such as Bills receivable, Accounts receivable, Financial assets at amortized cost and Other receivables in the balance sheet:

A. Business model for managing Financial Assets: Holding Financial Assets to receive Contractual cash flow.
B. Contractual cash flow characteristics of Financial Assets: The cash flow is solely for the payment of principal and interest on the outstanding principal amount.

These financial assets (excluding those involved in hedging relationships) are subsequently measured at amortized cost [the amount measured at initial recognition, less any repayments of principal, plus or minus the cumulative amortization of any difference between that initial amount and the maturity amount (using the effective interest method) and adjusted for any provision for bad debts]. The gain or loss is recognized in profit or loss when it is derecognized, or through the amortization process, or when impairment gain or loss is recognized.

Interest calculated using the effective interest method (multiplied by the total carrying amount of financial assets) or under the following circumstances is recognized in profit or loss:

A. For purchased or originated credit-impaired financial asset, use the credit-impaired effective interest rate multiplied by the amortized cost of the financial asset.
B. For financial assets that do not meet the aforementioned criteria but

subsequently become credit- impaired, the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets at fair value through other comprehensive income

Financial Assets that meet both of the following conditions are measured at fair value through other comprehensive income, and are reported on the balance sheet as Financial Assets at Fair Value through Other Comprehensive Income:

A. Business model for managing financial assets: collecting contractual cash flow and selling financial assets
B. Contractual cash flow characteristics of Financial Assets: The cash flow is solely for the payment of principal and interest on the outstanding principal amount.

The recognition of related gains and losses on such Financial Assets is explained as follows:

A. Before derecognizing or reclassifying, the gains or losses, except for impairment gains or losses and foreign exchange gains and losses recognized in profit or loss, are recognized in Other Comprehensive Income.
B. When derecognizing, the accumulated profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustments.
C. Interest calculated using the effective interest method (multiplied by the total carrying amount of financial assets) or under the following circumstances is recognized in profit or loss:
   (a) If the financial asset in question is one that was purchased or originally credit-impaired, the amortized cost of the financial asset is multiplied by the effective interest rate adjusted for credit.
   (b) If not the former, however, when continued to be impaired for credit, it is calculated by the effective interest rate times the Financial Assets at amortized cost.

In addition, regarding the equity instruments falling within the scope of IFRSNo.9, and that the equity instrument is neither held for trading nor the contingent consideration recognized by the acquirer in the business combination in accordance with International IFRS No.3, at the time of initial recognition, it is chosen (irrevocable) to include the subsequent changes in fair value in Other comprehensive income. Amounts reported in other comprehensive income cannot subsequently be transferred to profit or loss (upon derecognizing of such equity instruments, the accumulated amount reported in other equity items and directly transferred to retained earnings), and are reported in the balance sheet as financial assets at fair value through other comprehensive income. Dividends from investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss

Aside from financial assets that meet specific conditions and are measured at amortized cost or through other comprehensive income at fair value, financial assets are measured at fair value through profit or loss, and are reported in the balance sheet as Financial Assets at FVTPL.

These financial assets are measured at fair value, and any gains or losses arising from revaluation are recognized as profit or loss, including any dividends or interest received from the financial assets.

(2) Impairment loss on financial assets

The Group recognizes and measures the provision for bad debts for Investments in debt instruments designated at fair value through other comprehensive income and Financial assets at amortized cost based on the expected credit loss. Investments in debt instruments designated at fair value through other comprehensive income are recognized in Other Comprehensive Income without provision for bad debts of such investments.

The Group measures expected credit loss in the following ways:

A. The amount determined by assessing all possible outcomes in an unbiased manner and weighted by probability.
B. Time value of money
C. Reasonable and verifiable information related to past events, current conditions, and forecasts of future economic conditions (which can be obtained at the balance sheet date without excessive cost or input)

The method for measuring the provision for bad debts is explained as follows:

A. Measured by the amount of expected credit losses for 12 months: including financial assets that have not significantly increased in credit risk since its initial recognition, or are determined to have low credit risk on the balance sheet date. In addition, it also includes provision for bad debts measured at the amount of expected credit losses over the life of the instrument in the previous reporting period, but which no longer meet the condition of significant increase in credit risk since initial recognition as at the reporting date of the current period balance sheet.
B. Measurement of the amount of expected credit losses during the term: includes financial assets which credit risk has increased significantly after the original recognition, or is part of purchased or originated credit-impaired financial assets.
C. For accounts receivable or contract assets arising from transactions within the scope of IFRS 15, the Group measures provision for bad debts at an amount equal to the expected credit losses over the lifetime.
D. For lease receivables arising from the transactions within the Scope of Review of IFRS 16, the Group adopts the expected credit losses during the period to measure the provision for bad debts over the lease term.

The Group evaluates whether the credit risk of a financial instrument has increased significantly since initial recognition by comparing the risk of default of the financial instrument at the balance sheet date with that on the date of initial recognition at each balance sheet date. Refer to Note (12) for credit risk-related information.

(3) Derecognition of Financial Assets

The Group derecognizes its financial assets when any of the following conditions are met:

A. The contractual right to cash flow from Financial Assets terminates.
B. Financial assets have been transferred and almost all risks and rewards of ownership of the assets have been transferred to others.
C. Has neither transferred nor retained substantially all risks and rewards of ownership of the assets, but has lost control over the assets.

When a financial asset is derecognized, the difference between its carrying amount and the total sum of the consideration received (or receivable) plus any cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

(4) Financial Liabilities and Equity Instruments

Classification of Liabilities or Equity

The Group classifies the instruments of liabilities and equity issued in accordance with the substance of the contract agreement and the definitions of financial liabilities and equity instruments as financial liabilities or equity.

Equity instruments

Equity instruments are any contracts that acknowledge the Group's remaining equity after deducting all liabilities from assets. Equity instruments issued by the Group are recognized at the amount of the consideration received less the direct issue costs.

Financial Liabilities

Financial liabilities within the scope of IFRS 9 are recognized as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost at the time of initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

When one of the following conditions is met, it is classified as held for trading:

A. Main purpose of acquisition is to sell in the short term;
B. At initial recognition, it is part of a group of identifiable financial instruments managed by the Group and there is evidence of a recent pattern that the group is for short-term profit-taking; or
C. Belonging to derivatives (excluding derivatives of financial guarantee contracts or designated and effective hedging instruments).

For contracts that include one or more embedded derivatives, the entire mixed (combined) contract can be designated as Financial liabilities at fair value through profit or loss. When one of the following factors is met and can provide more relevant information, it is designated as at fair value through profit or loss at the time of initial recognition:

A. The designation can eliminate or significantly decrease measurement or recognition inconsistency; or
B. A group of financial liabilities or a group of financial assets and financial liabilities are managed and performance evaluated on a fair value basis, following written risk management or investment strategies. The information on the investment portfolio supplied to management within the Group is also on a fair value basis.

The gains or losses generated by the re-measurement of such financial liabilities are recognized in profit or loss, including any interest paid on the financial liabilities.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings, etc., which are subsequently measured using the effective interest method after initial recognition. When financial liabilities are derecognized and amortized through the effective interest method, the related gains or losses and amortization amount are recognized in the profit or loss.

The calculation of amortized cost takes into account the discount or premium at the time of acquisition and transaction costs.

Derecognition of Financial Liabilities

When the obligation of financial liabilities is discharged, cancelled, or expired, the financial liabilities are derecognized.
When the Group exchanges debt instruments with a creditor and those debt instruments contain substantially different terms or it makes significant modifications to the terms of existing financial liabilities (whether or not due to financial difficulties), the Group derecognizes the original liabilities and recognizes new liabilities. The difference between the carrying amount of the derecognized financial liabilities and the total consideration paid or to be paid (including non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

(5) Financial Assets and Liabilities Offsetting

Financial Assets and Financial Liabilities are only offset and presented net in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

7. Fair Value Measurement

Fair Value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the sale of assets or transfer of liabilities occurs in one of the following markets:

(1) The major regional markets for the assets or liabilities, or
(2) If there is no major market, the most advantageous market for the asset or liability

The primary or most advantageous market must be one that the Group can access for transactions.

Assets or Liabilities Fair Value measurement uses assumptions that market participants would use when pricing assets or liabilities, assuming that such market participants act in their best economic interests.

The fair value measurement of non-financial assets takes into account the ability of market participants to generate economic benefits either by using the asset at its highest and best use or by selling it to another market participant who would use the asset at its highest and best use.

The Group adopts suitable Valuation Techniques under relevant circumstances with sufficient data available to measure Fair Value, maximizing the use of relevant observable Inputs and minimizing the use of unobservable Inputs.

8. Inventory

Inventory is measured at the lower of cost and net realizable value on an item-by-item basis.

The cost refers to the cost incurred to make the inventory available for sale or production, and for the cost incurred to bring the real estate to a saleable state and location:

Raw materials using the weighted average method for its actual purchase cost.
Finished goods, commodities, and semi-finished products - include direct raw materials, labor and fixed manufacturing costs allocated based on normal capacity, but not include borrowing costs.
Net realizable value refers to the estimated selling price in the ordinary course of business, less the costs still to be incurred to complete and selling expenses.

Treatment for provision of labor services related to IFRS 15, and does not fall within the Scope of Review for Inventory.

9. Investments adopted equity method

Apart from being classified as Assets held for sale, the Group's investment in associates is adopted equity method. An associate refers to an entity over which the Group has significant influence. Joint ventures refer to an entity over whose net assets the Group has rights under joint arrangements (joint control).

Under the equity method, the accounting for investments in associates or joint ventures in the balance sheet is the purchase cost plus the amount recognized by the Group for changes in the net assets of such associate or joint ventures, calculated on the proportionate shares. After the carrying amount and other related long-term equity interests in associate or joint venture have been reduced to zero using the equity method, additional losses and liabilities are recognized within the scope of statutory obligations, implicit obligations, or payments made on behalf of associates. Unrealized gains or losses generated from transactions between the Group and associate or joint venture are eliminated in proportion to its equity interests in the associate or joint venture.

When changes in equity of associate or joint venture are not due to profit or loss and other comprehensive income items and do not affect the Group's percentage of ownership, the Group recognizes changes in ownership equity in proportion to its shareholding. Therefore, the recognized Capital surplus is reclassified into profit or loss based on the disposal proportion when disposing of associate or joint venture.

When an associate or joint venture issues new shares, the Group does not subscribe according to the holding ratio, causing changes in the investment ratio. As a result, the Group adjusts the increase or decrease with "Capital surplus" and "Investments adopted equity method" for any changes in the net assets share of the associate or joint venture owned by the Group. When the proportion of investments decreases, the related items previously recognized in Other Comprehensive Income are reclassified to profit or loss or other appropriate accounts according on the reduction ratio. The aforementioned Capital surplus is transferred to profit or loss proportionately when the Associate or joint venture is subsequently disposed of.

The financial statements of associate or joint venture are prepared for the same reporting period as the Group and are adjusted to conform to the accounting policies of the Group.

The Group determines whether there is objective evidence of impairment for its investments in associate or joint venture according to IAS 28 'Investments in Associates and Joint Ventures' at the end of each reporting period. If there is any objective evidence of impairment, the Group will calculate the impairment amount by the difference between the recoverable amount and the carrying amount of the associate or joint venture according to IAS 36 'Impairment of Assets', and recognize the amount in the income or loss from the associate or joint venture. The aforementioned recoverable amount, if using value-in-use of the investment, the Group determines the relevant value-in-use based on the following estimates:

(1) The Group's share of the present value of the estimated future cash flows generated by associate or joint venture, including cash flows from operations of associate or joint venture and the proceeds from the final disposal of such investments; or
(2) The Group expects to receive dividends from the investment and the present value of the expected future cash flows generated by the eventual disposal of the investment.

Since the Goodwill that forms part of the Carrying Amount of Investments in an associate or joint venture is not separately recognized, it is not necessary to apply the provisions of Impairment of Assets under the IAS 36 for the impairment testing of Goodwill.

When the Group loses significant influence over an associate or joint control over a joint venture, the retained investment is measured at fair value and recognized. When significant influence or joint control is lost, the difference between the carrying amount of the investment in associate or joint venture and the fair value of any retained investment plus the proceeds from disposition is recognized as a gain or loss. In addition, when the investment in an associate becomes an investment in a joint venture, or when an investment in a joint venture becomes an investment in an associate, our group continues to apply the equity method without re-measuring the retained equity.

10. Property, plant, and equipment

Property, plant and equipment are recognized at acquisition cost, less accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing and restoring the site of the property, plant and equipment, and the necessary interest expense generated by the under construction. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. When significant components of property, plant and equipment need to be periodically replaced, the Group regards these components as individual assets and recognizes them separately with specific useful life and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS16 "Property, plant and equipment". Significant overhaul costs meet recognition criteria are considered replacement costs and are recognized as part of the carrying amount of property, plant, and equipment. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is provided on a straight-line method over the estimated useful lives of the following assets:

Buildings and structures	3 - 50 years
Machinery and equipment	3 - 20 years
Transportation equipment	1 - 12 years
Office equipment	5 - 8 years
Right-of-use assets/Leased assets	5 years
Other equipment	3 - 48 years

Items or any significant component of the property, plant and equipment are derecognized and recognized as profit or loss if they are disposed of or if it is expected that no future economic benefits will flow to the entity from their use or disposal after initial recognition.

The residual value, useful life, and depreciation method of property, plant, and equipment are evaluated at the end of each financial year. If the expected value is different from the previous estimate, the change is considered as accounting estimates.

11. Lease

The Group evaluates whether the contract as a lease on the contract establishment date. A lease is a contract transfer control of the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract transfers control of the identified assets for a period of time, the Group evaluates whether it has the following two throughout the usage:

(1) Acquired the right to almost all economic benefits from recognized assets; and
(2) The lead has identified the rights to use the recognized assets.

For contracts that are (or contain) leases, the Group treats each lease component in the contract as a separate lease and deals with the non-lease components in the contract separately. For contracts that include a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component based on the relative standalone price and the aggregate standalone price of the non-lease components. The relative standalone price of lease and non-lease components is determined based on the price charged by the lessor (or similar supplier) for each component (or similar component). If observable individual prices are not always available, the Group maximizes the use of observable information to estimate such individual prices.

The Group as lessee

Except for leases that qualify and are selected as short-term leases or leases of low-value assets, when the Group as a lessee in a lease agreement, right-of-use assets and lease liabilities are recognized for all leases.

The Group measures the lease liabilities at the present value of the lease payments that are not paid at commencement date. If the implicit interest rate of the lease is easy to determine, the lease payments are discounted by that rate. If the interest rate is not easily determinable, use the lessee's incremental borrowing rate. The lease payments included in the lease liabilities consist of the following payments that have not yet been paid on commencement day and are related to the right to use the underlying assets during the lease period:

(1) Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) Lease payments determined by some index or rate change (measured at the original index or rate on the commencement date);
(3) The amount expected to be paid by the lessee under the residual value guarantee;
(4) The exercise price of the buy options, if the Group can reasonably determine that the option will be exercised; and
(5) The penalty for terminating the lease, if the lease term reflects the lessee's intention to exercise the option to terminate the lease.

After the commencement date, the Group measures lease liabilities at amortized cost basis, increases the carrying amount of lease liabilities using the effective interest rate method to reflect the interest of lease liabilities; payments of lease payments decrease the carrying amount of lease liabilities.

The Group measures Right-of-use assets on a cost basis at the commencement date. The cost of the Right-of-use assets includes:

(1) The original measurement amount of lease liabilities;
(2) Any lease payments made on or before the commencement date, less any lease incentives received;
(3) Any initial direct costs incurred by the lessee; and
(4) The lessee estimates the cost of dismantling, removing and restoring to its original location, or to the condition required by the terms and conditions of the lease.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e., the cost model is used to measure right-of-use assets. If the ownership of the underlying assets is transferred to the Group at the end of the lease term, or if the cost of right-of-use assets reflects the Group's intention to exercise the purchase option, depreciation is provided for the right-of-use assets from the commencement date to the end of the useful life of the underlying assets. Otherwise, the Group provides depreciation for the right-of-use assets from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

The Group applies IAS 36 "Impairment of Assets" to determine whether right-of-use assets have been impaired and to address any identified impairment loss.

Except for short-term leases or leases of low-value target assets, the Group reports right-of-use assets and lease liabilities on the Balance Sheet and reports related depreciation and interest expenses in the Statements of Comprehensive Income.

The Group elected to recognize lease payments related to short-term leases and leases of low-value assets on a straight-line basis or another systematic basis as an expense over the lease term.

The Group as lessor.

The Group classifies each lease as an operating lease or a finance lease on the contract establishment date. A lease transfers substantially all the risks and rewards incidental to ownership of an asset, it is classified as a finance lease; if not transferred, it is classified as an operating lease. The Group recognizes the assets held under finance lease in the balance sheet, and records as finance lease receivable based on the net amount of lease at the commencement date.

For contracts that contain both lease and non-lease components, the Group applies the provision of IFRS 15 to allocate the transaction price in the contract.

The Group recognizes lease payments from operating leases as rental income on a straight-line method or another systematic mode. The rental payments from operating leases that are not dependent on changes in an index or rate are recognized as rental income when they occur.

12. Intangible assets

Intangible assets acquired separately are initially measured at cost upon original recognition. The cost of intangible assets acquired through business combinations is the fair value on the acquisition date. Intangible assets, after initial recognition, are measured at their cost less accumulated amortizations and accumulated impairment losses as the carrying amount. Intangible assets internally generated that do not meet the capitalization criteria are recognized in profit or loss.

The useful life of intangible assets are classified into limited and unlimited useful life.

Intangible assets with limited useful life are amortized over their useful life and conduct impairment tests whenever there are indications of impairment. The amortization period and methods for intangible assets with limited useful life are reviewed at least at each financial year. If the estimated useful life of an asset is different from the previous estimate or the expected pattern of consumption of future economic benefits has changed, the method of amortization or the period of amortization will be adjusted and treated as a change in accounting estimate.

Intangible assets with unlimited useful life are not amortized, but impairment tests are carried out at the individual asset or cash-generating unit level each financial year. Intangible assets with unlimited useful life are reviewed each period to determine whether events and circumstances continue to support an unlimited useful life for that asset. If the useful life changes from unlimited to limited, the application is deferred.

The gains or losses generated from the derecognition of intangible assets are recognized in profit or loss.

Summary of the accounting policy for intangible assets of the group is as follows:

	Computer software
Service Life	Limited (5 years)
Method of Amortizations used	Amortization is estimated through the straight-line method over the useful life.
Internally generated or externally acquired	External acquisition

13. Non-financial Assets

The Group evaluates whether there are any indications of impairment for all assets applicable to IAS 36 "Impairment of Assets" at the end of each reporting period. If there are indications of impairment or if an asset needs to be tested for impairment annually, the Group will test individually for each asset or the cash-generating unit to which the asset belongs. Impairment losses are recognized if the carrying amount of an asset or the asset's cash-generating unit exceeds its recoverable amount as a result of impairment testing. The recoverable amount is the higher of the net fair value or the value-in-use.

The Group assesses whether there is any indication that an impairment loss previously recognized for an asset other than goodwill may no longer exist or may have decreased at the end of each reporting period. If such indications exist, the Group estimates the recoverable amount of the asset or the cash-generating unit. If the recoverable amount increases due to changes in the estimated potential of servicing assets, then the impairment is reversed. However, the carrying amount after reversal shall not exceed the carrying amount of the assets, net of depreciations or amortizations, that would have been determined had no impairment loss been recognized.

Impairment loss and reversal amount of the continuing operations unit are recognized in profit or loss.

14. Revenue Recognition

The main revenue of the Group from contracts with customers includes sales of goods and rendering of services, the accounting treatments of which are described as follows:

Sales of Goods

The Group manufactures and sells goods, recognizing revenue when the committed goods are delivered to the customer and the customer gains control (i.e., the customer dominates the use and obtains the ability of almost all remaining benefits of the goods), mainly chemicals being sold, with revenue recognized based on the price stated in the contract.
The credit period for the Group's sales transactions is typically between 30 - 90 days. Most contracts recognize accounts receivable when the control of goods is transferred and the right to receive consideration unconditionally is obtained. These accounts receivable are typically short-term and do not have significant financial composition. The provision for bad debts is measured based on the expected credit loss over the life of the asset under IFRS 9.

Rendering of services

The Group's service revenue is primarily derived from providing wastewater treatment services and transportation. According to the contract, the Group charges a processing fee on a monthly basis. The revenue is recognized when the performance obligation is fulfilled, and the wastewater is discharged in compliance with the standards.

15. Borrowing costs

The borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of those assets. All other borrowing costs are recognized as expenses during the period in which it occur. Borrowing costs include interest and other costs associated with raising finance.

16. Post-employment benefits plans

The Company and domestic subsidiaries' pension schemes apply to all formally hired employees. The entire amount of employee pension funds is deposited in accounts managed by the Supervisory Committee of Business Entities' Labor Retirement Reserve. As the pension funds are completely separated from the Company and domestic subsidiaries. Therefore, it is not included in the aforementioned consolidated financial statements.

For post-employment benefit plans that are defined contribution plans, the Company and its domestic subsidiaries are required to make pension contributions at a rate not less than 6% of the employees' monthly salaries, and the amounts contributed are recognized as expenses.

17. Income Tax

Income tax expense (benefit) refers to the aggregate amount related to the current tax and deferred tax included in determining the current profit (loss).

Current tax

The current tax liabilities (assets) related to the current and previous periods are measured at the enacted or substantively enacted tax rates and tax laws at the end of the reporting period. Current income tax related to items recognized in Other Comprehensive Income or directly in Equity is respectively recognized in Other Comprehensive Income or Equity rather than profit or loss.

The portion of additional corporate income tax is recorded as income tax expense on the day the shareholders' meeting resolves to distribute the earnings.

Deferred income tax

Deferred income tax is calculated as the temporary difference between the tax base of assets and liabilities and their carrying amount in the balance sheet at the end of the reporting period.

Except for the following two, all taxable temporary differences are recognized as deferred tax liabilities:

(1) The initial recognition of Goodwill; or assets or liabilities generated from transactions other than business combinations do not affect accounting profit or taxable income (loss) at the time of the transaction, nor generate equal taxable and deductible temporary differences at the time of the transaction.
(2) The taxable temporary differences arising from Investments in subsidiaries, associates and joint ventures, for which reversal can be controlled and it is probable that the reversal will not occur in the foreseeable future.

Except for the following two, deferred tax assets arising from deductible temporary differences, unused tax losses and unused tax credits are recognized to the extent that it is probable that future taxable profits will be available against which they can be utilized:

(1) Regarding the deductible temporary difference arising from the initial recognition of assets or liabilities from transactions that are not a business combination, it neither affects accounting profit nor taxable income (loss) at the time of transaction, and there are no equal taxable and deductible temporary differences generated at the time of the transaction.
(2) In relation to the deductible temporary differences arising from Investments in subsidiaries, associates and joint ventures, these are only recognized to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the period when the assets are realized or the liabilities are settled, with such rates based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that result from the manner in which the carrying amount of assets is expected to be recovered or liabilities settled at the end of the reporting period. Deferred income tax related to items not recognized in profit or loss is not recognized in profit or loss, but is recognized in Other comprehensive income or directly in Equity according to the related transactions. Deferred tax assets are reviewed and recognized at the end of each reporting period.

Deferred tax assets and liabilities are only legally enforceable to offset current tax assets and current tax liabilities, and can be offset when deferred tax is related to income taxes levied by the same tax authority on the same taxpayer.

In accordance with the temporary exception stipulated in "International Tax Reform - Pillar Two Model Rules" (Amendments to IAS 12), the deferred tax assets and liabilities for Pillar Two income tax cannot be recognized, nor can their related information be disclosed.

V. Critical accounting Judgment, Estimates and Key Sources of Assumption Uncertainty

When preparing the consolidated financial statements, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the reported amount of revenues, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities. However, the uncertainties related to these significant assumptions and estimates could result in the need for significant adjustments to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions

There is a significant risk that the carrying amount of assets and liabilities could require material adjustment in the next financial year, due to the primary sources of uncertainty about estimates and assumptions made at the end of the reporting period related to the future. The remark is as follows:

(1) Fair Value of Financial Instruments

When the fair value of financial assets and liabilities recognized on the balance sheet cannot be obtained from active markets, the fair value will be determined using valuation techniques, including income approach (such as cash flow discounting model) or market approach. Changes in the assumptions used in these models will affect the reported fair value of financial instruments. Refer to Note (12).

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(2) Income Tax

The uncertainty of income tax lies in the interpretation of complex tax laws and regulations, and the amount and timing of future taxable income. Due to the breadth of international business relationships and the long-term and complexity of contracts, differences arising between actual results and assumptions, or changes to these assumptions in the future, may require adjustments to the recognized income tax benefits and expenses in the future. The provision for income tax is based on reasonable estimates made according to the possible audit results of the tax authorities in the countries where the Company operates. The amount provisioned is based on various factors, such as past tax audit experiences and differences in the interpretation of tax regulations between taxpayers and the tax authorities. The differences in the explanation may generate various issues due to the circumstances of the individual locations of the company's businesses.

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available in the future, or that there are taxable temporary differences within the scope of origination and reversal of temporary differences. The determination of the Amount to recognize for Deferred tax assets is based on the estimated timing and level of future taxable income and taxable temporary differences, combined with future tax planning strategies. Refer to Note (6).

(3) Accounts Receivable - estimation of provision for bad debts

The Group estimates provision for bad debts for accounts receivables using the expected credit loss over the lifetime, which is measured as the present value of the difference between the contractual cash flows receivable under the contract (carrying amount) and the cash flows expected to be received (with the evaluation of forward-looking information). However, the discounting effect of short-term receivables is not significant, and the credit loss is measured by the undiscounted difference. If actual cash flows in the future are less than expected, significant provision for bad debts may arise. Refer to Note 6.

VI. Details of Significant Accounts

1. Cash and cash equivalents

	2023.12.31	2022.12.31
Cash on hand	$210	$210
Cash in banks	156,678	108,921
Total	$156,888	$109,131

2. Current financial assets at amortized cost

	2023.12.31	2022.12.31
Time deposits	$60,000	$100,000

The Group classifies some of the Financial Assets as Financial assets at amortized cost, and there is no provision of guarantees. For information related to Credit risk, Refer to Note (12).

3. Bills receivable

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	2023.12.31	2022.12.31
Bills receivable - due to operations	$27,517	$27,411
Less: Provision for bad debts	(—)	(—)
Total	$27,517	$27,411

The Group's bills receivable were not provided as collateral.

The Group evaluates impairments in accordance with IFRS 9, and for related information on provision for bad debts, Refer to Note (6).14. For information related to Credit risk, Refer to Note (12).

4. Accounts receivable and Accounts receivable - related parties

	2023.12.31	2022.12.31
Accounts receivable	$86,878	$94,218
Less: Provision for bad debts	(745)	(745)
Subtotal	86,133	93,473
Accounts receivable - related parties	1,215	289
Less: Provision for bad debts	(—)	(—)
Subtotal	1,215	289
Total	$87,348	$93,762

The Group's accounts receivable were not provided as collateral.

The credit period for the Group's customers is usually 30 to 90 days. The carrying amounts as of December 31, 2023 and 2022 were NT$88,093 thousand and NT$94,507 thousand respectively. For information related to the provision for bad debts of the years 2023 and 2022, Refer to Note (6).14. For credit risk-related information, Refer to Note (12).

5. Inventory

	2023.12.31	2022.12.31
Raw materials	$2,190	$4,189
Semi-finished goods	64	92
Finished goods	56	34
Commodity	539	812
Total	$2,849	$5,127

The operating costs recognized as expenses by the Group for years 2023 and 2022 were NT$314,610 thousand and NT$370,881 thousand, respectively, including the recognition of loss for market price decline and slow-moving inventories of NT$148 thousand and NT$133 thousand, respectively.

The aforementioned inventory were not pledged as collateral.

6. Property, plant, and equipment

	2023.12.31	2022.12.31
Property, plant and equipment for own use	$880,480	$901,821

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	Land	Buildings and structures	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Total
Costs:							
2022.1.1	$398,057	$282,540	$310,890	$67,348	$5,290	$51,211	$1,115,336
Additions	—	1,394	12,595	380	—	5,196	19,565
Disposal	—	—	(16,539)	(7,766)	(595)	(3,849)	(28,749)
Other changes	—	—	(411)	4,574	—	2,435	6,598
2022.12.31	398,057	283,934	306,535	64,536	4,695	54,993	1,112,750
Additions	—	—	11,118	8,356	310	335	20,119
Disposal	—	(1,250)	(1,617)	(936)	(117)	(1,455)	(5,375)
Other changes	—	—	423	5,452	—	—	5,875
2023.12.31	$398,057	$282,684	$316,459	$77,408	$4,888	$53,873	$1,133,369
Depreciation and impairment:							
2022.1.1	$—	$29,112	$102,139	$44,355	$2,124	$15,434	$193,164
Depreciation	—	9,676	21,591	7,529	684	5,709	45,189
Disposal	—	—	(16,539)	(6,357)	(595)	(3,849)	(27,340)
Other changes	—	—	(84)	—	—	—	(84)
2022.12.31	—	38,788	107,107	45,527	2,213	17,294	210,929
Depreciation	—	9,496	23,296	8,220	665	5,658	47,335
Disposal	—	(1,250)	(1,617)	(936)	(117)	(1,455)	(5,375)
Other changes	—	—	—	—	—	—	—
2023.12.31	$—	$47,034	$128,785	$52,811	$2,762	$21,497	$252,889
Net Carrying Amount:							
2023.12.31	$398,057	$235,650	$187,673	$24,597	$2,127	$32,376	$880,480
2022.12.31	$398,057	$245,146	$199,428	$19,009	$2,482	$37,699	$901,821

Refer to Note (8) for property, plant and equipment provided as collateral.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

7. Intangible assets

Costs:	Computer software, cost
2022.1.1	$1,304
Additions	—
Other changes	—
2022.12.31	1,304
Additions	—
Other changes	—
2023.12.31	$1,304
Amortization and Impairment:	
2022.1.1	$1,243
Amortizations	61
Other changes	—
2022.12.31	1,304
Amortizations	—
Other changes	—
2023.12.31	$1,304
Net Carrying Amount:	
2023.12.31	$—
2022.12.31	$—

The amounts of amortizations recognized for intangible assets are as follows:

	For the year ended December 2023	For the year ended December 2022
Operating expense	$—	$61

8. Other non-current assets

	2023.12.31	2022.12.31
Prepayments for equipment	$4,852	$5,874
Guarantee deposits paid	17,493	10,578
Total	$22,345	$16,452

9. Short-term borrowings

	2023.12.31	2022.12.31
Credit bank loan	$110,000	$97,000

The short-term borrowing rates of the Group as of December 31, 2023 and 2022 were 2.024% to 2.183% and 1.727% to 2.080%, respectively.

As of December 31, 2023 and 2022, the Group had unused short-term borrowings amounting to NT$264,000 thousand and NT$147,000 thousand, respectively.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Secured bank loans are guaranteed by lands, buildings and structures, and machinery and equipment. Refer to Note 8 for details of the guarantees.

10. Long-term borrowings

The details of long-term borrowings as 2023 and 2022 are as follows:

Creditor	2023.12.31	Remarks
Chang Hwa Bank - Luchu Branch	$288,013	From March 15, 2019 to April 23, 2035 due, with Property as collateral.
Taiwan Cooperative Bank - North Kaohsiung Branch	25,508	From June 30, 2014 to June 30, 2026 due, with Property as collateral.
Subtotal	313,521	
Less: due within one year	(48,679)	
Net amount	$264,842	

Creditor	2022.12.31	Remarks
Chang Hwa Bank - Luchu Branch	$325,771	From March 15, 2019 to April 23, 2035 due, with Property as collateral.
Taiwan Cooperative Bank - North Kaohsiung Branch	34,237	From June 30, 2014 to June 30, 2026 due, with Property as collateral.
Subtotal	360,008	
Less: due within one year	(47,300)	
Net amount	$312,708	

The interest rates of the Group's long-term borrowings were 2.100% to 2.750% and 1.975% to 2.375% as of December 31, 2023 and 2022, respectively.

Refer to Note (8) for the guarantee situation.

11. Post-employment benefits plans

Defined contribution plans

The Company and its domestic subsidiaries have established employee retirement schemes under the "Labor Pension Act," which are defined contribution plans. In accordance with the regulations, the monthly contribution rate for labor pension expense borne by the Company and its domestic subsidiaries shall not be less than 6% of the employees' monthly salary. The Company and its domestic subsidiaries have established an employee retirement plan according to the Act, under which 6% of the monthly salary is contributed to individual retirement accounts at the Bureau of Labor Insurance.

The expenses recognized by the Group under the Defined Contribution plans for the years 2023 and 2022 were NT$3,051 thousand and NT$2,963 thousand, respectively.

12. Equity

(1) Ordinary Share

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

As of December 31, 2023 and 2022, the authorized share capital of the Company was NT$700,000 thousand, while the paid-up share capital was NT$291,795 thousand with a face value of NT$10 per share, aggregating to 29,180 thousand shares for both years. Each share has one voting right and the right to receive dividends.

(2) Capital surplus

	2023.12.31	2022.12.31
Additional paid-up capital	$144,420	$144,420
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,301	2,301
Total	$146,721	$146,721

As stipulated by the law, Capital surplus shall not be used except to offset the company's deficits. When the company has no deficits, the surplus from issuing shares exceeding the face value and the capital surplus generated from accepting donations can be allocated to increase the capital. The above-mentioned Capital surplus can also be distributed in cash according to the proportion of the original shares held by shareholders.

(3) Earnings Distribution

In accordance with the Company's Articles of Incorporation, if there are profits in the annual financial statement, they are distributed in the following order:

A. Withdraw taxes.
B. Offset accumulated deficits.
C. Appropriate 10% as Legal reserve.
D. Others are appropriated or reversed special reserve as required by laws and regulations or as ordered by the competent authority.
E. The remaining, along with previous years' undistributed earnings, should be proposed by the Board of Directors for profit distribution. When it is to be done through the issuance of new shares, it should be distributed after being resolved by the shareholders' meeting. If it is done in the form of cash disbursement, it is authorized by the Board of Directors with the attendance of more than two-thirds of the directors and the agreement of more than half of the attending directors, and reported to the shareholders' meeting.

The Company, considering its operating environment, growth stage, responding to future capital needs, financial structure, and earnings situation, and aiming for a balanced and stable dividend policy, plans to distribute not less than 10% of distributable earnings as shareholder dividends each year, based on its capital requirement and the dilution effect on earnings per share. The dividends can be distributed either in the form of stock or cash dividends, with cash dividends accounting for no less than 10% of the total dividends distributed.

In accordance with the Company Law, the Legal reserve should be appropriated until its total amount has reached the total capital. Legal reserve can be used to offset deficits. When the company is not in deficit, it can distribute new shares or cash in proportion to the original shares of shareholders with the part of the legal reserve exceeding 25% of the paid-up capital.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

The Company proposed and resolved the appropriation and distribution of retained earnings and per share dividend for 2023 and 2022 at the Board of Directors and shareholders' regular meeting on March 12, 2024 and June 15, 2023, respectively, as follows:

	Appropriation of Earnings Proposal		Dividend per share (NT$)	
	For the year ended December 2023	For the year ended December 2022	For the year ended December 2023	For the year ended December 2022
Legal reserve	$13,885	$15,176	$—	$—
Cash dividends on ordinary shares (Note)	$116,718	$116,718	$4.0	$4.0

Refer to the 'Market Observation Post System' of the Taiwan Stock Exchange for information on earnings distribution resolved by the Board of Directors and shareholders' meeting.

Refer to Note (6).16 for information related to the basis of employees and directors' remuneration estimates and the recognition of their amounts.

Note: The Company's Board of Directors, authorized by the Articles of Association and passed a special resolution on March 12, 2024, approving the cash dividends proposal for the 2023 of ordinary shares.

(4) Non-controlling interests

	2023.12.31	2022.12.31
Beginning balance	$12,471	$16,001
Net profit (loss) for the period attributable to non-controlling interests	(2,608)	(3,985)
Failure to subscribe for new shares issued by the subsidiary in proportion to shareholding	221	455
Ending Balance	$10,084	$12,471

13. Operating revenue

	For the year ended December 2023	For the year ended December 2022
Sales of Goods revenue	$48,715	$57,365
Rendering of Services	560,527	615,607
Total	$609,242	$672,972

The information related to Revenue from contracts with customers for the Group in 2023 and 2022 is as follows:

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Breakdown of Revenue

	For the year ended December 2023				
	Manufacturing and sales of wastewater Treatment Chemicals and Consumables	Wastewater Treatment	Waste Transportation	Others	Total
Sales of goods	$48,716	$—	$—	$—	$48,716
Rendering of services	—	444,200	41,800	74,526	560,526
	$48,716	$444,200	$41,800	$74,526	$609,242
Revenue Recognition: at a certain point in time	$48,716	$444,200	$41,800	$74,526	$609,242

	For the year ended December 2022				
	Manufacturing and sales of wastewater Treatment Chemicals and Consumables	Wastewater Treatment	Waste Transportation	Others	Total
Sales of goods	$57,365	$—	$—	$—	$57,365
Rendering of services	—	539,004	37,509	39,094	615,607
	$57,365	$539,004	$37,509	$39,094	$672,972
Revenue Recognition: at a certain point in time	$57,365	$539,004	$37,509	$39,094	$672,972

14. Expected Credit Loss

	For the year ended December 2023	For the year ended December 2022
Operating Expense - Expected Credit Loss		
Accounts receivable	$—	$—

Refer to Note (12) for credit risk related information.
The receivables of the Group (including bills receivable and accounts receivable) are all measured by the expected credit loss during the period. The evaluation of the provision

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

for bad debts as of December 31, 2023, and 2022 are as follows:

The historical experience of credit losses on the Group's receivables indicates no significant difference in the loss patterns of different customer groups. Therefore, the provision for bad debts is measured using a provision matrix without distinguishing the customer groups. The information is as follows:

2023.12.31

	Not past due	Days past due					
	Note	Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	Total
Total Amount	$115,610	$—	$—	$—	$—	$—	$115,610
Loss rate	0.64%～1.00%	—	—	—	—	—	
Expected Credit Loss lifetime	(745)	—	—	—	—	—	(745)
Amount	$114,865	$—	$—	$—	$—	$—	$114,865

2022.12.31

	Not past due	Days past due					
	Note	Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	Total
Total Amount	$121,918	$—	$—	$—	$—	$—	$121,918
Loss rate	0.61%～1.00%	—	—	—	—	—	
Expected Credit Loss lifetime	(745)	—	—	—	—	—	(745)
Amount	$121,173	$—	$—	$—	$—	$—	$121,173

Note: All bills receivable of the Group are not past due.

Changes in provision for bad debts on bills receivable and accounts receivable of the Group for 2023 and 2022 are as follows:

	Bills receivable	Accounts receivable
2022.1.1	$—	$745
Additional Amount	—	—
Written off bad debts	—	—
2022.12.31	—	745
Additional Amount	—	—
Written off bad debts	—	—
2023.12.31	$—	$745

15. Lease

The Group as lessee

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

A. Revenues and expenses related to the lessee's leasing activities

	For the year ended December 2023	For the year ended December 2022
Short-term leases Expenses	$163	$185
Expenses related to the leasing of low-value assets (excluding short-term leasing of low-value assets)	$214	$194

B. Cash outflows related to the lessee's leasing activities

The total cash outflow for leases principal of the Group in 2023 and 2022 were NT$377 thousand and NT$379 thousand, respectively.

C. Other information related to leasing activities

Extend leases and terminate leases options

Some of the Group's property lease agreements include extend leases and terminate leases options. In determining the lease term, it includes the non-cancellable period for which the Group has the right to use the underlying asset, the period covered by an option to extend the lease if the lessee is reasonably certain to exercise that option, and the period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The use of these options can greatly maximize the operational flexibility of management contracts. The majority of options to extend leases and to terminate leases can only be exercised by the Group. When a significant event occurs or a significant change in circumstance (within the lessee's control and affects whether the Group can reasonably determine to exercise an option not previously included when determining the lease term, or not exercise an option previously included when determining the lease term) after the commencement date, the Group reevaluate the lease term.

16. Employee benefits, depreciation, and amortization expenses by functions are summarized as follows:

By function / By nature	For the year ended December 2023			For the year ended December 2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expenses						
Salaries expenses	$18,034	$53,607	$71,641	$18,296	$59,613	$77,909
Labor health insurance premiums	$2,388	$4,429	$6,817	$2,324	$4,182	$6,506
Pension expenses	$905	$2,146	$3,051	$932	$2,031	$2,963
Directors' remuneration	$—	$3,085	$3,085	$—	$3,170	$3,170
Other employee benefits expense	$792	$1,748	$2,540	$762	$1,710	$2,472
Depreciation	$28,424	$18,911	$47,335	$26,979	$18,210	$45,189
Amortization	$—	$—	$—	$—	$61	$61

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

In accordance with the Company's Articles of Incorporation, the Company should accrue employees' compensation and directors' remuneration at the rate that are not lower than 1% and not higher than 3% at profit before tax, respectively. However, if there are accumulated losses, the amount of the indemnity should be reserved in advance. The aforementioned employee compensation can be executed in the form of stock or cash. It should be approved by the Board of Directors through a resolution with the attendance of over two-thirds of the directors and the agreement of over half of the attending directors. Also, it should be reported at the shareholders' meeting. Refer to the "Market Observation Post System" on the Taiwan Stock Exchange for information on the employee compensations and directors' remuneration approved by the Board of Directors.

The Company estimates employees' compensation and directors' remuneration at 7% and 1% of its profits for 2023, respectively. When there is a difference between the estimated amounts and the actual distribution amount decided by the Board of Directors, it will be recognized as profit or loss for the following year. If the Board of Directors resolves to distribute employee compensation in the form of stock, the closing price of the day preceding the resolution date of the Board of Directors will be used as the basis for calculating the number of shares to be distributed.

The Company resolved at the Board of Directors on March 12, 2024 to distribute cash as employees' remuneration and Directors' Remuneration for 2023 amounted of NT$12,562 thousand and NT$1,795 thousand, respectively, which were recognized as Salaries expenses.

The Company actually paid out NT$12,947 thousand and NT$1,850 thousand for employees' remuneration and directors' remuneration, respectively, for 2022, which didn't significantly differ from the amount reported as expenses in the financial statements 2022.

17. Non-operating revenues and expenses

(1) Interest income

	For the year ended December 2023	For the year ended December 2022
Interest on bank deposits	$1,574	$579

(2) Other income

	For the year ended December 2023	For the year ended December 2022
Rental income	$795	$770
Other income	470	910
Total	$1,265	$1,680

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(3) Other gains and losses

	For the year ended December 2023	For the year ended December 2022
Gain (loss) on disposal of property, plant and equipment	$95	($59)
Other expenses	(1,126)	(733)
Total	($1,031)	($792)

(4) Finance costs

	For the year ended December 2023	For the year ended December 2022
Interest on bank loans	$10,385	$8,979

18. Income Tax

The main components of the income tax expenses for the years 2023 and 2022 are as follows:

(1) Income Tax recognized in profit or loss

	For the year ended December 2023	For the year ended December 2022
Current tax expenses:		
Current Income taxes payable	$34,594	$32,313
Prior years adjustment in the year	29	—
Deferred tax expense (income):		
Related to the original temporary differences and its reversal	(44)	(37)
Deferred tax expense (income) With the initial generation and tax loss offsetting of income tax	(6,128)	(5,927)
Deferred income tax related to its reversal		
Current tax expenses:	$28,451	$26,349

(2) The adjustment of tax expenses and the amount multiplied by the applicable tax rate on accounting profit is as follows:

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

	For the year ended December 2023	For the year ended December 2022
Profit before income tax of continuing operations	$164,689	$174,126
Income tax calculated at the statutory tax rate	$41,820	$47,005
Income tax effect of tax-exempt revenues	(2,729)	(6,275)
Income tax impact of non-deductible expenses for tax reporting	647	943
Income tax effect of deferred tax assets (liabilities)	(6,172)	(5,964)
Additional corporate income tax on undistributed earnings	679	—
Prior years adjustment in the year	29	—
Impact of other income tax adjustments according to tax laws	(5,823)	(9,360)
Total tax expenses recognized in profit and loss	$28,451	$26,349

(3) Deferred tax assets (liabilities) balance:

2023

	Beginning balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Origination and reversal of temporary differences				
Inventory valuation loss	$44	$44	$—	$88
Unused tax losses	18,391	6,128	—	24,519
Deferred tax expense /(income)		$6,172	$—	
Deferred income tax assets/(liabilities), net	$18,435			$24,607
Information expressed in the Balance Sheet is as follows:				
Deferred tax assets	$18,435			$24,607
Deferred tax liabilities	$—			$—

2022

	Beginning balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Ending Balance
Origination and reversal of temporary differences				
Inventory valuation loss	$7	$37	$—	$44
Unused tax losses	12,464	5,927	—	18,391
Deferred tax expense /(income)		$5,964	$—	
Deferred income tax assets/(liabilities), net	$12,471			$18,435
Information expressed in the Balance Sheet is as follows:				
Deferred tax assets	$12,471			$18,435
Deferred tax liabilities	$—			$—

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(4) Income Tax Return Verification Status

As of December 31, 2023, the status of the Group's income tax return filings was as follows:

	Income Tax Return Verification Status
Ping Ho Environmental Technology Co., Ltd.	Approved up to the 2021
Ping Ho Materials Technology Co., Ltd.	Approved up to the 2021
Feng Jia Industrial Co., Ltd.	Approved up to the 2021
Ching Jing Industrial Co., Ltd.	Approved up to the 2021
Wan Jing Industrial Co., Ltd.	Approved up to the 2021

19. Earnings Per Share

The calculation of basic earnings per share amount is based on the Net profit attributable to ordinary shareholders of the Company for the current period divided by the weighted average number of outstanding ordinary shares for the current period.

The calculation of the Diluted earnings per share is based on the net profit attributable to ordinary shareholders of the Company for the current period (after adjusting the interest of convertible bonds) divided by the sum of the weighted average number of ordinary shares outstanding during the current period plus the weighted average number of ordinary shares to be issued when all potential ordinary shares with dilution effect are converted into ordinary shares.

	For the year ended December 2023	For the year ended December 2022
(1) Basic earnings per share		
Net profit attributable to ordinary shareholders of the parent (thousands NT$)	$138,846	$151,762
Basic earnings per share of the weighted average number of ordinary shares (thousand shares)	29,180	29,180
Basic earnings per share (NT$)	$4.76	$5.20
(2) Diluted earnings per share		
Net profit attributable to ordinary shareholders of the parent (thousands NT$)	$138,846	$151,762
Basic earnings per share of the weighted average number of ordinary shares (thousand shares)	29,180	29,180
Dilution effect:		
Employee Compensation - Shares (thousands NT$)	190	222
Weighted average number of ordinary shares (thousands of shares) adjusted for the effects of dilution	29,370	29,402
Diluted earnings per share (NT$)	$4.73	$5.16

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

There were no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares outstanding after the end of the reporting period up to the approval of the financial statements for issue.

VII. Related Party Transactions

The related parties with transactions with the Group during the financial reporting period are as follows:

Related parties and their relationship

Related Party Name	Relationship with the Group
Yong Hong Engineering Ltd.	Substantial related party
Yong Hong Construction Co., Ltd.	Substantial related party
China Fineblanking Technology Co., Ltd.	Substantial related party
Chairman and other 3 people	Key management of the Company

Significant transactions between related parties

1. Sales

Related Party Name	For the year ended December 2023	For the year ended December 2022
Yong Hong Engineering Ltd.	$46	$100
Yong Hong Construction Co., Ltd.	11	5
China Fineblanking Technology Co., Ltd.	4,348	2,461
Total	$4,405	$2,566

The Group sells goods to the aforementioned related parties (including income from Wastewater Treatment) under general payment terms, with a collection period of 30 to 60 days.

2. Cost of services

Related Party Name	For the year ended December 2023	For the year ended December 2022
Yong Hong Engineering Ltd.	$4,067	$3,474

The Group entrusts the aforementioned related parties to perform repair and refurbishment projects, conducted under general payment terms, with a payment period of 30 to 60 days.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

3. Accounts Receivables (Payables) from/to related parties

Related Party Name	2023.12.31	2022.12.31
Accounts receivable		
Yong Hong Engineering Ltd.	$3	$15
China Fineblanking Technology Co., Ltd.	1,212	274
Total	$1,215	$289

Related Party Name	2023.12.31	2022.12.31
Other receivables		
Yong Hong Engineering Ltd.	$84	$84

Related Party Name	2023.12.31	2022.12.31
Other payables		
Yong Hong Engineering Ltd.	$3,019	$8,347

4. Property Transaction Details

Purchase:
2023.1.1～2023.12.31

Counterparty	Name of asset	AMOUNT	Basis of transaction price
Yong Hong Engineering Ltd.	Machinery and equipment	$9,486	Negotiated Price

2022.1.1～2022.12.31

Counterparty	Name of asset	AMOUNT	Basis of transaction price
Yong Hong Engineering Ltd.	Buildings and structures	$720	Negotiated Price
Yong Hong Engineering Ltd.	Machinery and equipment	12,596	Negotiated Price
Yong Hong Engineering Ltd.	Other equipment	125	Negotiated Price
Yong Hong Engineering Ltd.	Other equipment	3,092	Negotiated Price
Total		$16,533	

5. Rental income

The details of rental income from leasing office and factory premises to related enterprises of the Group are as follows:

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Related Party Name	For the year ended December 2023	For the year ended December 2022
Yong Hong Engineering Ltd.	$480	$480

6. Remuneration of key management personnel of the Group.

	For the year ended December 2023	For the year ended December 2022
Short-term employee benefits	$13,964	$13,380
Post-employment benefits	214	214
Total	$14,178	$13,594

7. Others

(1) As of December 31, 2023 and 2022, part of the key management personnel have acted as joint guarantors for the borrowings from financial institutions by the Group.

(2) The Company has signed a contract with Yong Hong Engineering Ltd. for equipment upgrading and related works. The total contract price is NT$9,762 thousand (including tax). As of December 31, 2023, the work has been completed and NT$2,747 thousand has been transferred to Property, plant and equipment - Machinery and equipment and Other prepaid expenses. In addition, for the incomplete work valued at NT$6,878 (including tax), NT$2,435 thousand has already been paid and categorized under Prepayments for business facilities - Related parties. The contract price yet to be billed is NT$4,115 thousand.

(3) The subsidiary of the Group, Ping Ho Materials Technology Co., Ltd., signed a production equipment engineering contract with "Yong Hong Engineering Ltd.", the total contract price is NT$8,400 thousand (including tax). As of December 31, 2023, it has been fully completed and transferred to Property, plant and equipment - Machinery and equipment.

(4) The payments to Yong Hong Engineering Ltd. for maintenance and other expenses for 2023 and 2022 were NT$555 thousand and NT$409 thousand, respectively, which were recorded under operating expenses and other prepaid expenses.

VIII. Pledged Assets

The Group has the following assets as collaterals:

	Amount		
	2023.12.31	2022.12.31	Guaranteed debt content
Property, plant, and equipment	$523,460	$532,061	Short-term borrowings, Long-term borrowings

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

IX. Significant Commitments and Contingent Liabilities

No such matter

X. Significant Loss from Natural Disaster

None for the item.

XI. Significant Subsequent Events

None for the item.

XII. Others

1. Categories of financial instruments

Financial Assets

	2023.12.31	2022.12.31
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	$156,678	$108,921
Current financial assets at amortized cost	60,000	100,000
Accounts receivables	119,171	125,596
Guarantee deposits paid	17,493	10,578
Total	$353,342	$345,095

Financial Liabilities

	2023.12.31	2022.12.31
Financial liabilities at amortized cost:		
Short-term borrowings	$110,000	$97,000
Accounts Payables	110,323	114,629
Long-term borrowings (including those due within one year)	313,521	360,008
Total	$533,844	$571,637

2. Financial Risk Management Objectives and Policies

The primary goal of the Group's financial risk management is to manage market risk, credit risk, and liquidity risk related to operational activities. Based on the company's policies and risk appetite, the Group identifies, measures, and manages these risks.

The Group has established appropriate policies, procedures, and internal controls for the aforementioned financial risk management in accordance with relevant regulations. Significant financial activities must be reviewed by the Board of Directors in compliance with relevant regulations and internal control systems. During the execution of financial management activities, the Group must strictly comply with the established regulations of financial risk management.

3. Market risk

The market risk of the Group refers to the risk of fluctuations in the fair value or cash flow of financial instruments due to changes in market prices. The market risk mainly includes interest rate risk and other price risks.

In practice, it is rare for a single risk variable to change independently, and the changes in each risk variable are typically correlated. However, the sensitivity analysis of the following risks does not consider the interactive effects of related risk variables.

(1) Interest rate risk

Interest rate risk is the risk that changes in market interest rates lead to fluctuations in the fair value or future cash flows of financial instruments. The main sources of interest rate risk for the group are fixed-rate borrowings and floating-rate borrowings.

The Group maintains an appropriate mix of fixed and floating interest rates, and uses interest rate swap contracts to manage interest rate risk.

(2) Equity price risk

The Group manages equity price risk through diversification of investments and by setting limits for both individual and overall equity investments. The portfolio information of equity securities must be regularly provided to the senior management of the Group, and all decisions on equity securities investments must be reviewed and approved by the Board of Directors.

(3) The sensitivity analysis of the pre-tax risk variances for the periods from January 1 to December 31 of 2023 and 2022 is as follows:

January 1 to December 31, 2023:

Main Risks	Change range	Profit and Loss Sensitivity	Equity Sensitivity
Interest rate risk	Market Interest Rate +/- Ten Basis Points	-/+ NT$207 thousands	—

January 1 to December 31, 2022:

Main Risks	Change range	Profit and Loss Sensitivity	Equity Sensitivity
Interest rate risk	Market Interest Rate +/- Ten Basis Points	-/+ NT$248 thousands	—

4. Credit risk management

Credit risk refers to the risk of financial loss due to the counterparty's failure to fulfill the obligations stipulated in the contract. The credit risk of the Group is due to operational activities (mainly accounts receivable and bills) and financial activities (mainly bank deposits and various financial instruments).

Each unit of the Group follows the policies, procedures, and controls to manage credit risk. The credit risk assessment of all counterparties comprehensively considers the counterparty’s financial condition, credit rating by credit rating agencies, past trading experience, current economic environment, and the internal rating standards of the Group. The Group also uses certain credit enhancement tools (such as advance sales receipts and insurance, etc.) at appropriate times to reduce the credit risk of specific transaction counterparts.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

As of December 31, 2023 and 2022, receivables from the Group's top ten customers accounted for 60.99% and 61.04% of the total receivables of the Group, respectively, with no credit concentration risk related to accounts receivable.

The finance unit of the Group manages the credit risk of cash in banks and other financial instruments in accordance with the company's policy. As the counterparties of the Group are determined by internal control processes and are organizations with good credit, there is no significant credit risk.

The Group adopts IFRS 9 to assess expected credit losses. Except for receivables, which are measured for provision for bad debts based on expected credit losses over the lifetime, the rest of the debt instrument investments not measured at fair value through profit or loss are primarily purchased with the premise of low credit risk. On each statement of financial position date, it assesses whether the credit risk has significantly increased since the initial recognition to determine the method and loss rate of measuring the expected credit loss.

The Group written off financial assets when it determines that it is unlikely to be recoverable (for example, significant financial difficulties of the issuer or debtor, or bankruptcy).

5. Liquidity Risk Management

The Group maintains financial flexibility through contracts such as cash and cash equivalents and bank loans. The table below summarizes the maturity of the contractually obligated payments of the Group's financial liabilities, prepared on the basis of the earliest possible date on which repayment may be required and their undiscounted cash flows, including agreed-upon interest amounts. The cash flow of interest paid at a floating rate, the undiscounted amount of interest is derived based on the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
2023.12.31					
Borrowings	$167,248	$101,537	$66,258	$122,012	$457,055
Accounts Payables	$110,323	$－	$－	$－	$110,323
2022.12.31					
Borrowings	$152,697	$107,364	$82,245	$152,433	$494,739
Accounts Payables	$114,629	$－	$－	$－	$114,629

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

6. The reconciliation of liabilities from financing activities

The liability adjustment information for the year 2023:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
2023.1.1	$97,000	$360,008	$457,008
Cash flow	13,000	(46,487)	(33,487)
Non-cash changes	—	—	—
2023.12.31	$110,000	$313,521	$423,521

The reconciliation information of liabilities for the year 2022:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
2022.1.1	$118,000	$402,881	$520,881
Cash flow	(21,000)	(42,873)	(63,873)
Non-cash changes	—	—	—
2022.12.31	$97,000	$360,008	$457,008

7. Fair Value of Financial Instruments

(1) The Valuation Technique and assumptions adopted for measuring the Fair Value.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the Group to measure or disclose the fair value of financial assets and financial liabilities are as follows:

A. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payables, and other current liabilities are reasonable approximations of their fair values, mainly due to the short maturity of these instruments.
B. The fair value of financial assets and financial liabilities that are traded in an active market and have standard terms and conditions is determined by referring to market quotes (for example, listed stocks, beneficiary certificates, bonds, and futures etc.).
C. The fair value of investments in debt-class instruments with no active market, bank loans, bonds payable, and other non-current liabilities is determined based on quotes from counterparties or valuation techniques. The valuation techniques are mainly based on discounted cash flow analysis, and assumptions such as interest rates and discount rates mainly refer to relevant information of similar instruments (like curve of reference yield rates from Over The Counter (OTC) market, average quoted rates of commercial paper from Reuters, and credit risk information).

(2) Fair Value of Financial Instruments Measured at Amortized Cost

The carrying amount of cash and cash equivalents, accounts receivable, accounts payables, and other current liabilities measured at amortized cost in the financial instruments of the Group approximates the fair value.

(3) Information Related to the Fair Value Level of Financial Instruments

Refer to Note (12).8 for the fair value hierarchy information of the Group's financial instruments.

8. Fair Value Hierarchy

(1) Definition of Fair Value Level

All assets and liabilities measured or disclosed at fair value are classified within the fair value hierarchy based on the lowest level of inputs that are significant to the entire measurement of their fair value. Inputs for each level are as follows:
Level 1: Quoted prices (unadjusted) for identical assets or liabilities in an active market available on the measurement date.
Level 2: Assets or liabilities for which there are directly or indirectly observable inputs, excluding those included in Level 1.
Level 3: Unobservable inputs for assets or liabilities.

For assets and liabilities recognized in the financial statements on a recurring basis, their classification is reevaluated to determine whether there has been a transfer among the levels of the fair value hierarchy at the end of each reporting period.

(2) Level information of fair value measurement

The Group has no non-recurring assets measured at fair value and recurring assets and liabilities measured at fair value.

9. Capital management

The primary objective of the Group's capital management is to ensure a sound credit rating and a good capital ratio to support business operations and maximize shareholder equity. The Group may adjust its capital structure and manage economic conditions through adjusting dividends paid, returning capital, or issuing new shares to maintain and adjust the capital structure.

XIII. <u>Notes to Disclosure Items</u>

1. Related Information of Significant Transactions and Information on Investees

The Information on Significant Transactions from January 1, 2023 to December 31, 2023 are as follows:
(1) Financing provided for others: None.
(2) Endorsement or guarantee provided to others: Refer to Appendix 1 for details.
(3) Marketable securities held at the end of the period: None.
(4) Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-up capital: None.
(5) Acquisition of individual real estate at costs of at least NT$300 million or 20% of the paid-up capital: None.
(6) Disposal of property at price in excess of NT$300 million or 20% of the paid-up capital: None.
(7) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-up capital: Refer to Appendix 2.
(8) Accounts receivable from related parties amounting to at least NT$ 100 million or 20% of the paid-up capital: None.
(9) For those who have significant influence or control over the investee companies (excluding Mainland China): Refer to Appendix 3.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

(10) Derivatives Trading: None.
(11) Intercompany Relationships and Significant Intercompany Transactions: Refer to Appendix 4.

2. DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA: Not applicable.

XIV. Segment Information

1. Segment Information is provided to the key operating decision-makers to allocate resources and evaluate segment performance. The primary operational decision maker of the Group considers the Group as a whole as a single operating segment and allocates resources and evaluates performance based on the overall information of the Group, thus there is no need to disclose the profit or loss, assets and liabilities information of the operating segment.

2. Important Customer Information:

	For the year ended December 2023	For the year ended December 2022
C1002	$75,515	$92,724
C4001	$74,526	Note

Note: The net operating revenue from the customer in that year did not reach more than 10% of the net operating revenue of the Group, thus it is not disclosed.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Appendix 1

Endorsement or guarantee provided to others:

No. (Note 1)	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 3)	Maximum Amount Endorsed/ Guaranteed During the Period (Note 4)	Outstanding Endorsement Guarantee at End of period (Note 5)	Actual Amount Used (Note 6)	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements Ratio of Net Equity	Aggregate Endorsement/ Guarantee Limit (Note 3)	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries (Note 7)	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent (Note 7)	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Company	Relationship (Note 2)										
0	Ping Ho Environmental Technology Co., Ltd.	Ping Ho Materials Technology Co., Ltd.	2	$362,947	$230,000	$180,000	$100,000	$—	24.80%	$362,947	Yes	No	No
2	Feng Jia Industrial Co., Ltd.	Wan Jing Industrial Co., Ltd.	4	$72,589	$5,000	$5,000	$—	$106,800	0.69%	$72,589	No	No	No
2	Feng Jia Industrial Co., Ltd.	Ching Jing Industrial Co., Ltd.	4	$72,589	$25,000	$25,000	$—	$106,800	3.44%	$72,589	No	No	No

(Note 1) The number is to be filled in the following manner in the column:
1. Issuer fills in "0".
2. The invested companies are numbered in order starting from "1."

(Note 2) Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; the category can be marked directly:
1. Companies having a business relationship.
2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
3. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
4. The Company can provide endorsements and guarantees among companies where it directly and indirectly holds more than ninety percent of the voting shares, but the Amount should not exceed ten percent of the Company's net value. However, endorsements and guarantees among companies where the Company directly and indirectly holds one hundred percent of the voting shares are not subject to the restriction.
5. Based on the companies mutually guaranteed by the industry according to the contract regulations for the construction project needs.
6. Due to the joint investment relationship, each shareholder endorses/guarantees the company according to their shareholding ratio.

(Note 3) The Company, in the normal course of business, provides endorsements/guarantees, the amount of which corresponds to the higher of the total purchases or sales between the Company and the guaranteed party during the most recent year or the year-to-date period up to the time of providing the endorsement/guarantee. The total amount of external endorsement and guarantee should not exceed 50% of the net value of the Company, and the amount of endorsement and guarantees for a single enterprise should not exceed 50% of the net value of the Company. For endorsements and guarantees between companies in which the Company and its subsidiaries directly and indirectly hold over 90% of the voting shares, the Amount shall not exceed 10% of the net value of the Company. However, guarantees between companies in which the Company directly or indirectly holds 100% of the voting shares are not subject to this limitation. The total amount of endorsement and guarantee that The Company and subsidiaries can provide shall not exceed 50% of the net value of The Company, and the amount of endorsement and guarantee that The Company and subsidiaries can provide for a single enterprise shall not exceed 50% of the net value of The Company.
The net value is based on the most recent financial statements audited or reviewed by the auditor.

(Note 4) The maximum balance endorsed/guaranteed for others in the year.

(Note 5) By the end of the year, whenever the company signs endorsement or guarantee contracts or bills with the bank, it assumes the endorsement or guarantee responsibility. Besides, any other endorsements or guarantees should be included in the balance of endorsements and guarantees.

(Note 6) The endorsee company should input the Actual Amount Used within the Scope of Review for the use of endorsement guarantee balance.

(Note 7) Fill in "Y" for listed parent companies guaranteeing subsidiaries guaranteeing listed parent companies, and guarantors in Mainland China

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Appendix 2

Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-up capital:

Buyer/Seller	Counterparty	Relationship	Transaction Details				Payment Terms and Reason for Abnormal Transaction (Note 1)		Accounts/Bills Receivable or Payable		Remarks (Note 2)
			Purchase or Sale	AMOUNT	% to Total Purchases or Sales	Credit Period	Unit Price	Credit Period	Balance	% to Total Bills/Accounts Receivable or Payable	
Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	Subsidiary	Purchase of goods	$135,391	57.51%	30 days	—	—	$18,618	37.99%	

(Note 1) If the payment terms of the related party transactions differ from the general terms, the differences and reasons should be explained in the price and credit period sections.

(Note 2) If there are advanced receipts (prepayments) conditions, the reasons, contract terms, amount, and differences with general transaction types should be stated in the “Remarks” column.

(Note 3) Paid-up Capital refers to the paid-up capital of the Parent. For the issuer whose stocks have no par value or the par value per share is not NT$10, the rule concerning 20% of the paid up in capital transaction amount, is calculated based on 10% of the equity attributable to owners of the parent as stated on the balance sheet.

(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Appendix 3

Name, Location...etc. of invested companies (excluding those in the Mainland China):

Investment Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2023			Net Profit or Loss of the Investee (Note 2)	The Company's Investment Income (Loss) (Note 2 (3))	Remarks
				December 31, 2023	December 31, 2022	Number of shares	%	Amount			
Ping Ho Environmental Technology Co., Ltd.	Ping Ho Materials Technology Co., Ltd.	Taiwan, Republic of China	Wastewater Treatment	$210,100	$152,500	13,898,900	92.66%	$123,609	($24,889)	($21,982)	(Note 3)
Ping Ho Environmental Technology Co., Ltd.	Ching Jing Industrial Co., Ltd.	Taiwan, Republic of China	Waste Transportation Industry	$20,307	$20,307	2,470,000	100.00%	$36,715	$7,169	$7,169	—
Ping Ho Environmental Technology Co., Ltd.	Wan Jing Industrial Co., Ltd.	Taiwan, Republic of China	Waste Transportation Industry	$4,449	$4,449	900,000	100.00%	$14,305	$3,491	$3,491	—
Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	Taiwan, Republic of China	Manufacture and wholesale of chemical raw materials	$47,544	$47,544	6,351,000	100.00%	$102,482	$24,968	$24,968	—

(Note 1) If a publicly issued company has a foreign holding company and the consolidated financial statements are the main financial statements according to local regulations, the disclosure of the information of the foreign investee can be limited to the information related to that holding company.

(Note 2) For those not falling under (Note 1, fill in according to the following provisions:

(1) The columns such as "Name of the Invested Company", "Location", "Main Businesses and Products", "Original Investment Amount", and "Shareholding Status at the End of the Period" should be completed in sequence according to the investment situation of our (publicly issued) company and the reinvestment situation of each invested company directly or indirectly controlled. The relationship between each invested company and our (publicly issued) company (such as subsidiaries or grandchild companies) should be

indicated in the "Remarks" column.

(2) "The column 'Net Profit or Loss of the Investee' should be filled with the current profit (loss) amount of each investee."

(Note 3) The column "Investment Income (Loss)" only needs to be filled out with the loss and profit amounts of each subsidiary that the company (publicly listed) directly invests in and each investee company valued by the equity method, and the rest can be exempted. When filling out the "Amount of Current Profit or Loss of each Subsidiary Directly Reinvested", it should be confirmed that the amount of current profit or loss of each subsidiary has included the investment profit or loss that should be recognized according to the regulations on its reinvestment.

(Note 4) (Including unrealized profit (loss) among affiliated companies.

(Note 5) (All intra-group transactions are eliminated upon consolidation.

Appendix 4

Intercompany Relationships and Significant Intercompany Transactions:

No. (Note 1)	Company Name	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Account	AMOUNT	Payment Terms	Ratio to Consolidated Revenue or Total Assets (Note 3)
0	Ping Ho Environmental Technology Co., Ltd.	Ching Jing Industrial Co., Ltd.	1	Operating costs	$7,574	Equivalent to General Payment Terms	1.24%
0	Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	1	Operating costs	$135,391	Equivalent to General Payment Terms	22.22%
0	Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	1	Accounts Payables	$21,636	Equivalent to General Payment Terms	1.68%

(Note 1) The business transaction information between the group should be indicated in the number column, and the number is to be filled in the following manner:
1. Parent company fills in “0”.
2. The subsidiaries are numbered in order starting from "1".

(Note 2) There are two types of relationships with traders, only the types are indicated:
1. Parent to subsidiary.
2. Subsidiary to subsidiary.

(Note 3) The calculation of the Ratio to Consolidated Revenue or Total Assets for the transaction amount, if it belongs to the Financial Statement Account of Assets and Liabilities, is calculated by the method of Balance at end of period/Ratio to Consolidated Revenue or Total Assets; if it belongs to the income and expenditure Financial Statement Account, it is calculated by the method of the cumulative Amount/Ratio to Consolidated Revenue during the period.

(Note 4) The significant Transaction Details in the table can be determined by the company whether to fill according to the principle of materiality.

(Note 5) The business has been eliminated when the consolidated statements are prepared.