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PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.

INDIVIDUAL 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

Individual Financial Statement

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Independent Auditors' Report

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

Opinion

The individual balance sheets of Ping Ho Environmental Technology Co., Ltd. (the "Company") as of December 31, 2023, and December 31, 2022, along with the statement of comprehensive income, statement of changes in equity, statement of individual cash flow, and notes to the 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 individual financial statements have been prepared in accordance with the Securities Issuance Company Financial Reporting Standards and are sufficient to fairly present the financial position of the Company as of December 31, 2023 and December 31, 2022, as well as the individual financial performance and individual 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 rules and standards are described in the Auditors' Responsibilities for the Audit of the Individual 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 Company 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 Ping Ho Environmental Technology Co., Ltd. for the year of 2023, as determined by our professional judgment as auditors. These matters were addressed during the audit of the overall parent company only financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

Revenue Recognition

The Company 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 parent company only financial statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Management is also responsible for maintaining necessary internal control relevant to the preparation of the individual financial statements to ensure that the individual financial statements are free from material misstatement by fraud or error.

In preparing the individual financial statements, the responsibility of the management also includes assessing the ability of the Company 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 Company (including the Audit Committee) bears the responsibility for overseeing the financial reporting process.

Account's responsibilities for the audit of individual financial statements

Our objectives are to obtain reasonable assurance about whether the individual 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 individual 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 parent company only Individual financial statements, whether due to fraud or errors, design and perform audit procedures responsive to those risks, and obtained 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 Company'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 exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as going concern.
5. Evaluate the overall presentation, structure, and contents of the individual financial statements (including the attached notes), and whether the 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 Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Ernst & Young Taiwan

The Competent Authority approves the public issuance of the company's financial statements.

	Financial-Supervisory-Securities-
Audit Verification	Auditing No.1010045851
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Auditor: Fang-Wen Lee
Kuo-Sen Hung

March 12, 2024

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.

INDIVIDUAL 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			LIABILITIES AND EQUITY		December 31, 2023		December 31, 2022	
Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%	Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%
	Current assets							Current liabilities					
1100	Cash and cash equivalents	(4)/(6).1	\$114,629	14	\$58,801	7	2150	Bills payable		\$5,293	1	\$5,211	1
1136	Current financial assets at amortized cost	(4)/(6).2	60,000	7	100,000	12	2180	Accounts payable - related parties	(7)	18,618	2	28,971	4
1150	Bills receivable, net	(4)/(6).3	20,975	3	20,461	3	2200	Other payables		59,311	7	47,477	6
1170	Accounts receivable, net	(4)/(6).4	72,682	9	77,258	10	2220	Other payables - related parties	(7)	13,276	1	23,423	3
1180	Accounts receivable - related parties	(4)/(6).4/(7)	3,459	0	1,993	0	2230	Current tax liabilities	(4)/(6).16	15,648	2	1,109	0
1200	Net other receivables	(4)	49	0	3	0	2399	Other current liabilities		483	0	41	0
1210	Other receivables - related parties	(7)	53	0	54	0	21xx	Total current liabilities		112,629	13	106,232	14
130x	Inventory	(4)/(6).5	1,366	0	1,908	0	2xxx	Total liabilities		112,629	13	106,232	14
1410	Prepayments		3,045	0	1,578	0							
11xx	Total current assets		276,258	33	262,056	32		Equity	(6).10				
	Non-current assets						3100	Share Capital					
1550	Investments adopted equity method	(4)/(6).6/(7)/(8)	277,111	33	251,939	31	3110	Common stock		291,795	35	291,795	36
1600	Property, plant, and equipment	(4)/(7).6/(7)/(8)	269,992	32	289,498	36	3200	Capital surplus		146,721	18	146,721	18
1990	Other non-current assets		15,163	2	6,727	1	3300	Retained earnings					
15xx	Total non-current assets		562,266	67	548,164	68	3310	Legal reserve		83,711	10	68,535	8
							3350	Undistributed earnings		203,668	24	196,937	24
								Total retained earnings		287,379	34	265,472	32
							3xxx	Total equity		725,895	87	703,988	86
1xxx	Total assets		\$838,524	100	\$810,220	100		Total liabilities and equity		\$838,524	100	\$810,220	100

(Please refer to Individual Financial Statement Notes)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.
INDIVIDUAL STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

Code	Item	Notes	2023		2022	
			AMOUNT	%	AMOUNT	%
4000	Operating revenue	(4)/(6).11/(7)	\$519,077	100	\$578,905	100
5000	Operating costs	(6).5, 14/(7)	(315,928)	(61)	(383,752)	(66)
5900	Gross profit		<u>203,149</u>	<u>39</u>	<u>195,153</u>	<u>34</u>
6000	Operating expense	(6).14/(7)				
6200	Administrative expenses		(41,605)	(8)	(45,751)	(8)
6300	Research and development expense		(13,190)	(2)	(11,642)	(2)
	Total operating expenses		<u>(54,795)</u>	<u>(10)</u>	<u>(57,393)</u>	<u>(10)</u>
6900	Net operating income		<u>148,354</u>	<u>29</u>	<u>137,760</u>	<u>24</u>
7000	Non-operating income and expenses	(6).15				
7100	Interest income		1,281	0	484	0
7010	Other income		1,093	0	1,716	0
7050	Finance costs		(31)	(0)	(6)	(0)
7070	Share of profit or loss of subsidiaries and joint ventures accounted for using equity method	(4)/(6).6	<u>13,646</u>	<u>3</u>	<u>31,376</u>	<u>5</u>
	Total non-operating income and expenses		<u>15,989</u>	<u>3</u>	<u>33,570</u>	<u>5</u>
7900	Profit before income tax		164,343	32	171,330	29
7950	Income tax expenses	(4)/(6).16	<u>(25,497)</u>	<u>(5)</u>	<u>(19,568)</u>	<u>(3)</u>
8200	Net profit after income tax		<u>138,846</u>	<u>27</u>	<u>151,762</u>	<u>26</u>
8500	Total comprehensive income for the period		<u>\$138,846</u>	<u>27</u>	<u>\$151,762</u>	<u>26</u>
	Earnings Per Share (NT\$)					
9750	Basic earnings per share	(4)/(6).17	<u>\$4.76</u>		<u>\$5.20</u>	
9850	Diluted earnings per share	(4)/(6).17	<u>\$4.73</u>		<u>\$5.16</u>	

(Please refer to Individual Financial Statement Notes)

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

Expressed in thousands of New Taiwan dollars						
	Item	Common stock	Capital surplus	Retained earnings		Total equity
				Legal reserve	Undistributed earnings	
Code		3110	3200	3310	3350	3XXX
A1	Balance, January 1, 2022	\$291,795	\$146,721	\$52,667	\$184,052	\$675,235
	Appropriation of 2021 earnings:					
B1	Legal reserve appropriated	—	—	15,868	(15,868)	—
B5	Cash dividends on ordinary shares	—	—	—	(122,554)	(122,554)
D1	Net income after tax for the year	—	—	—	151,762	151,762
D3	Other comprehensive income for the year	—	—	—	—	—
D5	Total comprehensive income for the period	—	—	—	151,762	151,762
M7	Changes in ownership interests in subsidiaries	—	—	—	(455)	(455)
Z1	Balance, December 31, 2022	\$291,795	\$146,721	\$68,535	\$196,937	\$703,988
A1	Balance, January 1, 2023	\$291,795	\$146,721	\$68,535	\$196,937	\$703,988
	Appropriation of 2021 earnings:					
B1	Legal reserve appropriated	—	—	15,176	(15,176)	—
B5	Cash dividends on ordinary shares	—	—	—	(116,718)	(116,718)
D1	Net income after tax for the year	—	—	—	138,846	138,846
D3	Other comprehensive income for the year	—	—	—	—	—
D5	Total comprehensive income for the period	—	—	—	138,846	138,846
M7	Changes in ownership interests in subsidiaries	—	—	—	(221)	(221)
Z1	Balance, December 31, 2022	\$291,795	\$146,721	\$83,711	\$203,668	\$725,895

(Please refer to Individual Financial Statement Notes)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.
 STATEMENT OF CASH FLOWS FOR THE INDIVIDUAL ENTITY
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

Code	Item	2023	2022	Code	Item	2023	2022
		AMOUNT	AMOUNT			AMOUNT	AMOUNT
AAAA	Cash flows from operating activities			BBBB	Cash flows from investing activities		
A10000	Profit before tax	\$164,343	\$171,330	B00040	Acquisition of financial assets at amortized cost	(100,000)	(100,000)
A20000	Adjustments:			B00050	Proceeds from disposal of financial assets at amortized cost	140,000	—
A20010	Profit and loss items			B01800	Investments Accounted by Using the Equity Method	(57,600)	(48,500)
A20100	Depreciation	23,046	21,701	B02700	Acquisition of property, plant and equipment	(3,117)	(17,572)
A20200	Amortization	—	61	B06700	Increase in other non-current assets	(8,859)	(6,720)
A20900	Interest expenses	31	6	B07600	Dividend received	45,853	32,489
A21200	Interest income	(1,281)	(484)	BBBB	Net cash inflows (outflows) from investment activities	<u>16,277</u>	<u>(140,303)</u>
A22400	Share of profit of subsidiaries and joint ventures accounted for using equity method	(13,646)	(31,376)				
A29900	Others	(66)	(51)				
A30000	Changes in operating assets/liabilities:			CCCC	Cash flows from financing activities		
A31130	Increase in bills Receivable	(514)	(2,091)	C04500	Cash dividends paid	(116,718)	(122,554)
A31150	Decrease (Increase) in accounts receivable	4,576	(4,030)	C05600	Interest paid	<u>(31)</u>	<u>(6)</u>
A31160	Increase in accounts receivable - related parties	(1,466)	(347)	CCCC	Net cash flow (out) from financing activities	<u>(116,749)</u>	<u>(122,560)</u>
A31180	Decrease in other receivables	—	734				
A31190	Other receivables - Decrease (Increase) in related parties	1	(54)				
A31200	Reduce inventory	608	198				
A31230	Decrease (Increase) in other prepayments	(1,467)	370				
A32130	Increase notes payable	82	903				
A32160	Other receivables - Increase (Decrease) in related parties	(10,353)	3,700				
A32180	Increase in other payables	11,834	865				
A32190	Increase (Decrease) in other payables to related parties	(10,147)	10,934				
A32230	Adjustments for increase (decrease) in other current liabilities	<u>442</u>	<u>(50)</u>				
A33000	Cash inflows from operations	<u>166,023</u>	<u>172,319</u>				
A33100	Interest received	1,235	484	EEEE	Net (decrease) increase in cash and cash equivalents	55,828	(132,777)
A33500	Income tax paid	<u>(10,958)</u>	<u>(42,717)</u>	E00100	Cash and cash equivalents at beginning of period	<u>58,801</u>	<u>191,578</u>
AAAA	Net cash inflow from operating activities	<u>156,300</u>	<u>130,086</u>	E00200	Cash and cash equivalents at end of period	<u>\$114,629</u>	<u>\$58,801</u>

(Please refer to Individual Financial Statement Notes)

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 authorization for issuance of the Consolidated Financial Statements and Procedures for Authorization

The individual financial reports of the company for the years 2023 and 2022 have been approved for release by the board of directors on March 12, 2024.

III. Application of New Standards, amendments and Interpretations

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

The company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations approved by the Financial Supervisory Commission (hereinafter referred to as the FSC), which are applicable to accounting years beginning on or after January 1, 2023. The initial application of the new standards and amendments has not had a significant impact on the company.

2. Up to the date of the financial reports approval, the company has yet to implement the newly issued, revised, or amended standards or interpretations approved by the Financial Supervisory Commission as per the International Accounting Standards Board.

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

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

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

Amendment to paragraphs 69 to 76 of 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)

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 standards or interpretations as mentioned above, have been newly issued, revised, or amended by the International Accounting Standards Board and approved by the Financial Supervisory Commission. These standards are applicable to accounting years beginning on or after January 1, 2024, and they have had no significant impact on the company.

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

3. Up to the date of the financial report's approval, the company has not yet implemented the newly issued, revised, or amended standards or interpretations approved by the International Accounting Standards Board but not yet recognized by the Financial Supervisory Commission.

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 in 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

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

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. The amendments are effective from January 1, 2025.

The standards or interpretations mentioned above, issued by the International Accounting Standards Board but not yet approved by the Financial Supervisory Commission. They will be applied according to the regulations set by the Financial Supervisory Commission. The company has evaluated the newly published or revised standards, as well as interpretations, and found that they have no significant impact.

IV. Summary of Significant Accounting Policies

1. Compliance statement

This individual financial report for the year 2023 and 2022 were prepared in accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers.

2. Basis of Preparation

The individual financial report of the company is prepared in accordance with the Regulations Governing Preparation of Financial Reports by Securities Issuers. In accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the profit or loss during the period and other comprehensive income presented in parent company only financial reports shall be the same as the allocations of profit or loss during the period and of other comprehensive income attributable to owners of the parent presented in the financial reports prepared on a consolidated basis, and the owners' equity presented in the parent company only financial reports shall be the same as the equity attributable to owners of the parent presented in the financial reports prepared on a consolidated basis. Hence, investments in subsidiary companies are expressed as "Investments Accounted for Using Equity Method" in the individual financial reports and adjusted as necessary for valuation.

Apart from financial instruments assessed at fair value, individual financial statements are also compiled using on the basis of historical cost. Unless otherwise indicated, financial

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

statements are presented in thousands of New Taiwan Dollars.

3. 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.

4. 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.

5. Financial Instruments

Financial assets and financial liabilities are recognized by the company when they become one of 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

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

The recognition and derecognition of all regular traded financial assets by the company are accounted base on the trade date.

The company classifies financial assets into categories of subsequent measurement, including amortized cost, 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

Financial assets at amortized cost

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 becomes 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.

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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) 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 those not falling under the previous category but subsequently experiencing credit impairment, they are valued using the effective interest rate multiplied by the financial asset's amortized cost.

In addition, regarding the equity instruments falling within the scope of IFRS No.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 company recognizes anticipated credit losses and evaluates impairment losses for debt instruments invested in through other comprehensive income at fair value, as measured financial assets at amortized cost. Investments in debt instruments

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designated at fair value through other comprehensive income are recognized in Other Comprehensive Income without provision for bad debts of such investments.

The company measures expected amount of credit losses by reflecting the following items:

- 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 trade receivables or contract assets falling under the scope of International Financial Reporting Standard 15, the company measures impairment losses using the expected amount of credit losses over the asset's expected lifetime.
- D. For lease payments receivable falling under the scope of International Financial Reporting Standard 16, the company measures impairment losses using the expected amount of credit losses over the asset's expected lifetime.

On each balance sheet date, the company assesses whether there has been a significant increase in credit risk of financial instruments since their initial recognition by comparing the variation in default risk from the date of initial recognition to the current balance sheet date. Refer to Note (12) for credit risk-related information.

(3) Derecognition of Financial Assets

The company derecognizes financial assets when they meet one of the following conditions:

- 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.

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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

Equity and liability instruments issued by the company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of them.

Equity instruments

Equity instruments refer to any contracts recognizing the residual equity of the company after deducting all liabilities from its assets. Equity instruments issued by the company are recognized at the amount of price obtained, net of directly attributable issuance 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

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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 company exchanges debt instruments with creditors that have substantially different terms, or makes significant modifications to all or part of the terms of existing financial liabilities (regardless of whether it's due to financial difficulties), resulting in the derecognition of the original liability and recognition of a new liability, any difference between the carrying amount of the financial liability and the total consideration paid or payable (including non-cash assets transferred or liabilities assumed) is recognized in the profit or loss upon derecognition of the financial liability.

(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.

6. 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

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- (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 company employs suitable valuation techniques in applicable situations where adequate data is available to determine fair value. It aims to maximize the utilization of observable inputs and minimize the use of unobservable inputs.

7. 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 material — 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.

8. Investments adopted equity method

Apart from subsidiaries classified as held for sale non-current assets, the company utilizes the equity method to account for its subsidiaries.

Investment in subsidiaries

Subsidiaries refer to entities controlled by the company.

Under the equity method, investments in subsidiaries are initially recognized at cost. Subsequently, their carrying amount is adjusted based on the company's share of the subsidiaries' income or loss, other comprehensive income, and dividends distributed. The company recognizes its share of the subsidiaries' profit or loss and other comprehensive

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income in its own income statement and other comprehensive income. Receiving profit distributions from subsidiaries result in a reduction of their carrying amount.

Unrealized gains and losses from transactions between the company and its subsidiaries are eliminated in the individual financial statements. Profit or loss arising from transactions between the company and its subsidiaries, which are not associated with the company's equity interests in its subsidiaries, is only recognized in the individual financial statements as applicable.

The financial statements of subsidiaries are compiled for the same reporting period as the company. They are adjusted as needed to align their accounting policies with the company.

When changes in equity of subsidiaries occur independently of items affecting profit or loss and other comprehensive income, and do not impact the company's percentage of ownership. The company recognizes all related equity changes proportionately. If changes in the company's ownership interests in subsidiaries do not lead to a loss of control, they are handled as equity transactions. The difference between the carrying amount of the investment and the fair value of the consideration paid or received is directly recognized in equity.

Upon the company losses the control over a subsidiary, it ceases the use of the equity method. The portion of the retained investment measured at fair value is recognized. Any difference between the carrying amount of the investment in the subsidiary and the fair value of the retained investment plus disposal proceeds is recognized in profit or loss. When a subsidiary transitions into an associate, or an associate becomes a subsidiary, the company maintains its use of the equity method without re-evaluating the previously held equity.

At the end of each reporting period, the company determines whether there is objective evidence suggesting impairment of its investments in subsidiaries. The difference between the recoverable and the carrying amount of subsidiaries is recognized as impairment loss, reported in the comprehensive income statement, and adjusts the carrying amount.

The company's investment in subsidiaries is expressed as "Investments Accounted for Using Equity Method" in accordance with Article 21 of the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Necessary valuation adjustments are made to ensure that the profit or loss and other comprehensive income in the parent company's individual financial reports are consistent with the allocations of profit or loss and other comprehensive income attributable to the parent's owners in the consolidated financial reports. Additionally, the owners' equity presented in the parent company's individual financial reports matches the equity attributable to the parent's owners in the consolidated financial reports. These adjustments are primarily made to align the treatment of investments in subsidiaries in the consolidated financial statements with the guidelines outlined in International Financial Reporting Standard 10 "Consolidated Financial Statements." They take into account differences in the application of IFRS across individual reporting entities. These adjustments are recorded as debits or credits to items such as "Investments Accounted for Using Equity Method," "Share of Profit or Loss from Investments Accounted for Using Equity Method," or "Share of Other Comprehensive Income from Investments Accounted for Using Equity Method."

The company applies the equity method to account for its investments in associated enterprises, except for those classified as held-for-sale non-current assets. Associated

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enterprises refer to those in which the company holds significant influence. A joint venture refers to the company having rights to the net assets under a joint agreement (with joint controller).

In accordance with the equity method, investments in associates or joint ventures are recorded on the balance sheet at the initial cost, adjusted by subsequent changes in the net assets of the associate or joint venture, recognized by the company based on its ownership percentage. 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. The unrealized gains or losses resulting from transactions between the company and its associates or joint ventures are removed proportionately based on the company's stake in the associates or joint ventures. When changes in the equity of associates or joint ventures occur independently of items affecting profit or loss and other comprehensive income, and do not affect the company's percentage of ownership. The company recognizes all related ownership equity changes proportionately. Therefore, the recognized Capital surplus is reclassified into profit or loss based on the disposal proportion when disposing of associate or joint venture.

Due to the company's non-proportional subscription, when associates or joint ventures issue new shares, it results in a change in the company's investment percentage. Adjustments for such changes are made in "Capital Surplus" and "Investments Accounted for Using Equity Method". 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 associates or joint ventures are prepared for the same reporting period as the company. Adjustments are made as necessary to ensure consistency between their accounting policies and those of the company.

At the close of each reporting period, the company evaluates whether there is objective evidence indicating impairment of its investments in associates or joint ventures, following the guidelines outlined in International Accounting Standard 28 "Investments in Associates and Joint Ventures". If such evidence exists, the company computes the impairment amount by comparing the recoverable amount with the carrying amount of the associates or joint ventures, as stipulated in International Accounting Standard 36 "Impairment of Assets", and records this amount in the income statement associated with associates or joint ventures. The company relies on the following estimates to determine the applicable fair value, if the previously mentioned recoverable amount is using the investment's fair value:

- (1) The company estimates its portion of future cash flows, discounted to present value, from associates or joint ventures, which include cash flows generated from operations and proceeds from the eventual disposal of the investment; or
- (2) The company expects to receive dividends from the investment and estimates the present value of future cash flows generated from the eventual disposal of the investment.

Since the Goodwill that forms part of the Carrying Amount of Investments in an associate

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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.

In the event of losing significant influence over an associate or joint control over a joint venture, the company measures and recognizes the remaining investment portion at fair value. 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. Additionally, if an investment in an associate transforms into an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the company maintains the application of the equity method without reassessing the retained interest.

9. 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. As major components of Property, plant, and equipment need to be periodically reset, the company treats each component as a individual asset and records them separately using specific durable lifespans 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
Office equipment	5 years
Other equipment	2 - 25 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.

10. Lease

At the contract inception date, the company evaluates whether the contract is (or contains) a lease. A lease is a contract transfer control of the use of an identified asset for a period of

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time in exchange for consideration. To evaluate whether control over identified assets has been transferred for a period of time, the company assesses whether it has the following throughout the entire period of use:

- (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 categorized as (or containing) leases, the company treats each lease component within the contract individually and handles non-lease components of the contract separately. As a contract includes a lease component and along with one or more additional lease or non-lease components, the company allocates the consideration in the contract to each lease component based on its relative standalone price, and to the non-lease components based on their aggregate standalone prices. 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 standalone prices are unobtainable readily, the company maximizes the utilization of observable information to estimate these individual prices.

The company acts as the lessee

Except for leases that are short-term or involve low-value assets and meet the criteria chosen by the company, when the company acts as the lessee under the lease agreements, it records right-of-use assets and lease liabilities for all leases.

On the commencement date, the company measures lease liabilities by valuing the present worth of lease payments yet to be disbursed on that specific day. 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 company can reasonably determine the exercise price of the purchased option; 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 company measures amortized cost of lease liabilities by using an effective way to increase the carrying amount of the lease liabilities to reflect interest on the lease liabilities. Payments made for lease liabilities decrease the carrying amount of the lease liabilities.

From the commencement date, the company measures the right-of-use assets at cost, which includes:

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- (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.

Depreciation is recognized on the right-of-use asset from the commencement date until the end of the asset's useful life if ownership of the leased asset transfers to the company upon lease expiration or if the cost of the right-of-use asset reflects the company's intention to exercise a purchase option. Otherwise, depreciation is recognized on the right-of-use asset from the commencement date until the earlier of the end of the asset's useful life or the lease term.

The company utilizes International Accounting Standards 36 "Impairment of Assets" to determine if there is impairment of the right-of-use assets and to manage any recognized impairment losses.

Except for leases that meet the criteria and are chosen as short-term leases or leases involving low-value assets, the company includes right-of-use assets and lease liabilities on the balance sheet. Additionally, depreciation expenses and interest expenses related to leases are reported separately on the income statement.

For short-term leases and those involving low-value assets, the company chooses to recognize lease payments for such leases as expenses over the lease term using either a straight-line method or another systematic approach.

The company acts as the lessor

On the contract commencement date, the company categorizes each lease as either an operating lease or a finance lease. 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. On the commencement date, the company recognizes the assets held under finance leases on the balance sheet and presents them as receivable lease payments net of lease investments.

For contracts including both lease and non-lease components, the company applies the guidelines of International Financial Reporting Standard 15 to allocate the consideration in the contract.

The company recognizes lease payments from operating leases as rent income by using either a straight-line method or another systematic approach. 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.

11. 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.

The following is a summary of the company's accounting policies regarding intangible assets:

	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

12. Non-financial Assets

At the end of each reporting period, the company evaluates whether there are indications of impairment for all assets applicable under International Accounting Standard 36 "Impairment of Assets." In the event of impairment indicators or the need for annual impairment testing on a specific asset, the company conducts tests either on individual assets or on the cash generating unit to which the assets belong. 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 company evaluates at the end of each reporting period whether there are indicators of impairment for all assets in accordance with International Accounting Standard 36, "Impairment of Assets." If such indicators exist, the company estimates the recoverable amount of either the asset or the cash-generating unit to which the asset belongs. 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.

13. Revenue Recognition

The revenue from contracts with customers primarily from the sale of goods and the provision of services, with the accounting treatment for each detailed separately as follows:

Sales of goods

The company manufactures and sells goods. The revenue is recognized by the company upon the delivery of promised goods are shipped to the customer and the customer gains control (i.e., the ability to direct the use of the goods and obtain substantially all remaining benefits) of the goods. The primary products are chemical reagents, and revenue is recognized based on the prices specified in the contract.

The company offers credit terms ranging from 30 to 90 days for its sales transactions. Revenue recognition occurs when most control of the goods is transferred and unconditional right to receive payment, accounts receivable are then recognized. These receivables typically have short durations and do not represent significant portions of the financial statements. Additionally, provisions for impairment losses are measured based on the expected credit loss amounts over the duration of the receivables, in accordance with International Financial Reporting Standard 9.

Rendering of services

The primary source of service revenue for the company includes wastewater treatment services and cleaning services. Revenue is recognized once contractual obligations are fulfilled and compliance with wastewater effluent standards is met, with processing fees being charged monthly as per contractual agreements.

14. 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 its occur. Borrowing costs include interest and other costs associated with raising finance.

15. Post-Employment Benefits Plan

The company's retirement policy applies to all permanent employees. All contributions to the employees' retirement funds are deposited with the Supervisory Committee of Business Entities' Labor Retirement Reserve and held in a dedicated retirement fund account. These retirement funds are deposited under the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve and distinct entirely from the company. Hence, they are not reflected in the individual financial statements.

To defined contribution retirement benefit plans, the company's monthly contribution rate towards employee retirement benefits shall not be less than six percent of the employee's monthly salary. The contribution is recognized as an expense in the current period.

16. 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

In the compilation of individual financial statements, the management is required to assess, estimate, and assume as of the end of the reporting period, which will impact the reported figures for revenue, 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

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

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).

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 company estimates the loss allowance by using the lifetime expected credit losses method over the duration of the receivables. This involves comparing the present value of anticipated cash flows from contractual (carrying amount) and anticipated receipts (evaluated forward-looking information), with the difference representing the credit loss. However, for short-term receivables with minimal discounting effects, credit losses are evaluated based on 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

	12.31.2023	12.31.2022
Cash on hand	\$50	\$50
Cash in banks	114579	58751
Total	<u>\$114,629</u>	<u>\$58,801</u>

2. Current financial assets at amortized cost

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

	12.31.2023	12.31.2022
Time deposits	<u>\$60,000</u>	<u>\$100,000</u>

The company categorizes certain financial assets as those measured at amortized cost and does not provide any form of collateral.

Please refer to attachment (12) for information related to credit risk.

3. Bills receivable

	12.31.2023	12.31.2022
Bills receivable - due to operations	\$20,975	\$20,461
Less: Provision for bad debts	(—)	(—)
Total	<u>\$20,975</u>	<u>\$20,461</u>

The company's notes receivable were not provided as collateral.

In accordance with International Financial Reporting Standard 9, the company evaluates impairment and provides pertinent information on provisions for loss allowance, please refer to Note (6).12 and to Note (12) for details regarding credit risk.

4. Accounts receivable and Accounts receivable - related parties

	12.31.2023	12.31.2022
Accounts receivable	\$73,427	\$78,003
Less: Provision for bad debts	(745)	(745)
Subtotal	<u>72682</u>	<u>77258</u>
Accounts receivable - related parties	3459	1993
Less: Provision for bad debts	(—)	(—)
Subtotal	<u>3459</u>	<u>1993</u>
Total	<u>\$76,141</u>	<u>\$79,251</u>

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

The company usually gives customers a credit period ranging from 30 to 90 days. As of December 31, 2022, and the year 2023, the total carrying amounts were \$76,886 thousand and \$79,996 thousand, respectively. Please refer to Note (6).12 for pertinent information on provisions for loss allowance and Note (12) for details regarding credit risk in years 2023 and 2022.

5. Inventory

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

	2023.12.31	2022.12.31
Raw materials	\$1,302	\$1,816
Semi-finished goods	64	92
Total	<u>\$1,366</u>	<u>\$1,908</u>

In the years 2023 and 2022, the company recorded operating expenses of \$315,928 thousand and \$383,752 thousand, respectively. This includes provisions for price decline in inventories and obsolescence loss (reversal of impairment losses), with figures of (\$66) thousand and (\$51) thousand.

The aforementioned inventories were not pledged as collateral.

6. Investments adopted equity method

Investee Company	12.31.2023		12.31.2022	
	AMOUNT	Percentage of ownership	AMOUNT	Percentage of ownership
Investment in subsidiaries:				
Ping Ho Materials Technology Co., Ltd.	\$123,609	92.66%	\$88,212	88.08%
Ching Jing Industrial Co., Ltd.	36,715	100.00%	36,497	100.00%
Wan Jing Industrial Co., Ltd.	14,305	100.00%	13,071	100.00%
Feng Jia Industrial Co., Ltd.	102,482	100.00%	114,159	100.00%
Total	<u>\$277,202</u>		<u>\$251,939</u>	

- (1) On November 4, 2016, the company made an initial investment of \$3,000 million in Ping Ho Materials Technology Co., Ltd. Its primary business items include basic chemical industrial, industrial and additive manufacturing, and wastewater treatment...etc. services.
- (2) In December 2018, the company organized a restructuring and issued new shares to acquire Ching Jing Industrial Co., Ltd., Wan Jing Industrial Co., Ltd., and Feng Jia Industrial Co., Ltd. Ching Jing Industrial Co., Ltd. primarily provides waste transportation, Wan Jing Industrial Co., Ltd. specializes in waste transportation services, and Feng Jia Industrial Co., Ltd. focuses on the manufacturing and wholesale of chemical feedstock.
- (3) Investments in subsidiary companies are expressed as "Investments Accounted for Using Equity Method" in the individual financial reports and adjusted as necessary for valuation.
- (4) The aforementioned investments accounted for using the equity method were not provided with any collateral.
- (5) The share of profit or loss from subsidiaries and associates recognized using the equity method in 2023 and 2022 as follows:

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)

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

Investee Company	For the year ended December 2023	For the year ended December 2022
Ping Ho Materials Technology Co., Ltd.	(\$21,982)	(\$19,572)
Ching Jing Industrial Co., Ltd.	7,169	7,723
Wan Jing Industrial Co., Ltd.	3,491	2,508
Feng Jia Industrial Co., Ltd.	24,968	40,717
Total	<u>\$13,646</u>	<u>\$31,376</u>

7. Property, plant, and equipment

Property, plant and equipment for own use	2023.12.31	2022.12.31
	<u>\$269,992</u>	<u>\$289,498</u>

	Land	Buildings and structures	Machinery and equipment	Office equipment	Other equipment	Total
Original cost:						
2022.1.1	\$121,271	\$53,153	\$210,486	\$158	\$26,407	\$411,475
Additions	—	1,394	12,596	—	3,582	17,572
Disposal	—	—	(16,539)	(158)	(1,759)	(18,456)
Other changes	—	—	—	—	1,440	1,440
2022.12.31	121,271	54,547	206,543	—	29,670	412,031
Additions	—	—	3,117	—	—	3,117
Disposal	—	(1,250)	(1,617)	—	(1,435)	(4,302)
Other changes	—	—	423	—	—	423
2023.12.31	<u>\$121,271</u>	<u>\$53,297</u>	<u>\$208,466</u>	<u>\$—</u>	<u>\$28,235</u>	<u>\$411,269</u>
Depreciation and impairment loss:						
2022.1.1	\$—	\$14,246	\$95,310	\$134	\$9,598	\$119,288
Depreciation	—	2,674	14,981	24	4,022	21,701
Disposal	—	—	(16,539)	(158)	(1,759)	(18,456)
2022.12.31	—	16,920	93,752	—	11,861	122,533
Depreciation	—	2,494	16,642	—	3,910	23,046
Disposal	—	(1,250)	(1,617)	—	(1,435)	(4,302)
2023.12.31	<u>\$—</u>	<u>\$18,164</u>	<u>\$108,777</u>	<u>\$—</u>	<u>\$14,336</u>	<u>\$141,277</u>
Net Carrying Amount:						
2023.12.31	<u>\$121,271</u>	<u>\$35,133</u>	<u>\$99,689</u>	<u>\$—</u>	<u>\$13,899</u>	<u>\$269,992</u>
2022.12.31	<u>\$121,271</u>	<u>\$37,627</u>	<u>\$112,791</u>	<u>\$—</u>	<u>\$17,809</u>	<u>\$289,498</u>

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

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

8. Intangible assets

	<u>Computer software</u>
Costs:	
2022.01.01	\$1,304
Add - Acquired Individually	—
Derecognize	—
2022.12.31	<u>1,304</u>
Add - Acquired Individually	—
Derecognize	—
2023.12.31	<u><u>\$1,304</u></u>
Amortization and Impairment:	
2022.01.01	\$1,243
Amortizations	61
Derecognize	—
2022.12.31	<u>1,304</u>
Amortizations	—
Derecognize	—
2023.12.31	<u><u>\$1,304</u></u>
Net Carrying Amount:	
2023.12.31	<u><u>\$—</u></u>
2022.12.31	<u><u>\$—</u></u>

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

	<u>For the year ended December 2023</u>	<u>For the year ended December 2022</u>
Operating expense	<u><u>\$—</u></u>	<u><u>\$61</u></u>

9. Post-employment benefits plans

Defined contribution plans

The company's retirement scheme for employees is classified as a defined contribution plan, established in accordance with the Labor Pension Act. In accordance with the regulations of the Act, the company's monthly contribution rate towards employee retirement benefits shall not be less than six percent of the employee's monthly salary. The company has already implemented an employee retirement policy as per the regulations of the Act, whereby six percent of the employee's salary is allocated monthly to their individual retirement account at the Bureau of Labor Insurance.

The company recognized expenses for the contribution plan amounted to \$1,889 thousand and \$1,809 thousand in the year 2023 and 2022, respectively.

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

10. Equity

(1) Ordinary Share

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	<u>\$146,721</u>	<u>\$146,721</u>

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

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

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.

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).14 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.

11. Operating revenue

	For the year ended December 2023	For the year ended December 2022
Rendering of Services	\$519,077	\$578,905

The revenue-related information for contracts with customers for the years 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			
	Wastewater Treatment Revenue	Others	Total
Rendering of services	<u>\$444,551</u>	<u>\$74,526</u>	<u>\$519,077</u>
Revenue Recognition: at a certain point in time	<u>\$444,551</u>	<u>\$74,526</u>	<u>\$519,077</u>
For the year ended December 2022			
	Wastewater Treatment Revenue	Others	Total
Rendering of services	<u>\$539,811</u>	<u>\$39,094</u>	<u>\$578,905</u>
Revenue Recognition: at a certain point in time	<u>\$539,811</u>	<u>\$39,094</u>	<u>\$578,905</u>

12. Expected Credit Loss

	For the year ended December 2023	For the year ended December 2022
Operating Expense - Expected Credit Loss Accounts receivable	<u>\$—</u>	<u>\$—</u>

Refer to Note (12) for credit risk related information.

The company evaluates allowances for credit losses on its receivables (including notes receivable and accounts receivable) based on expected credit losses over their lifetime. The explanation regarding the assessment of the allowance for credit losses as of year 2023 and December 31, 2022 as follows:

Based on the historical experience of credit losses on receivables, there is no significant divergence in loss patterns across various customer segments in the company. Hence, it employs a non-segmented approach and utilizes a provision matrix to assess credit loss allowances. The pertinent information is outlined below:

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)

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

2023.12.31

	Not past due	Days past due					Total
		Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	
Total Amount	Note \$97,861	\$—	\$—	\$—	\$—	\$—	\$97,861
Loss rate	0.76%~1.00%	—	—	—	—	—	
Expected Credit Loss lifetime	(745)	—	—	—	—	—	(745)
Amount	\$97,116	\$—	\$—	\$—	\$—	\$—	\$97,116

2022.12.31

	Not past due	Days past due					Total
		Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	
Total Amount	Note \$100,457	\$—	\$—	\$—	\$—	\$—	\$100,457
Loss rate	0.74%~1.00%	—	—	—	—	—	
Expected Credit Loss lifetime	(745)	—	—	—	—	—	(745)
Amount	\$99,712	\$—	\$—	\$—	\$—	\$—	\$99,712

Note: The company's accounts receivable are all within the due date.

The information regarding the changes in the provision for loss allowance for accounts and notes receivable in year 2023 and 2022 is provided below:

	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

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

13. Lease

The company acts as the lessee.

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	\$183
Expenses related to the leasing of low-value assets (excluding short-term leasing of low-value assets)	\$95	\$94

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

The total cash outflows for lease principal amounted to \$257 thousand and \$277 thousand in 2023 and 2022, respectively.

C. Other information related to leasing activities

Extend leases and terminate leases options

Certain property lease contracts of the company include options for lease extension and lease termination. In deciding the lease term, it includes the non-cancellable period during which the lessee has the right to use the underlying asset. Additionally, it considers the periods covered by options for lease extension that the company can reasonably expect to exercise, and the periods covered by options for lease termination that the company can reasonably expect not to exercise. The use of these options can greatly maximize the operational flexibility of management contracts. The majority of lease extension and lease termination options available are exercisable solely by the company. The company reevaluates the lease term when significant events or circumstances arise after the commencement date (within the lessee's control that impact the company's ability to reasonably determine whether to exercise options not previously included in determining the lease term, or to refrain from exercising options previously included).

14. Summary of Employee Benefits, Depreciation, and Accrual Expenses by Function for the Year 2023 and 2022:

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	\$17,283	\$27,719	\$45,002	\$17,494	\$34,005	\$51,499
Labor health insurance premiums	\$2,281	\$2,056	\$4,337	\$2,218	\$1,854	\$4,072

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

Pension expenses	\$879	\$1,010	\$1,889	\$889	\$920	\$1,809
Directors' remuneration	\$—	\$3,085	\$3,085	\$—	\$3,170	\$3,170
Other employee benefits expense	\$750	\$1,079	\$1,829	\$720	\$1,093	\$1,813
Depreciation	\$21,787	\$1,259	\$23,046	\$20,359	\$1,342	\$21,701
Amortization	\$—	\$—	\$—	\$—	\$61	\$61

Note:

1. As of year 2023 and December 31, 2022, the company had 73 and 70 employees, respectively. Among them, the number of non-executive employees was 6 in both years.
2. Companies whose shares are listed on Taiwan Stock Exchange or traded in the Taipei Exchange should enhance disclosure of the following information:
 - (1) The average employee benefit expense for this year was \$792 thousand. The average employee benefit expense from the previous year was \$925 thousand.
 - (2) The average employee wages and salaries expense for this year was \$672 thousand. The average employee wages and salaries expense from the previous year was \$805 thousand.
 - (3) The adjustment in average employee wages and salaries expenses reflects as of (16.52%).
 - (4) Remuneration Policy
 - A. The remuneration of the company's directors is authorized by the board of directors based on their level of involvement and contribution to the company's operations, as well as industry benchmarks. After approval by the shareholders' meeting, the remuneration is disbursed according to the resolution of the shareholders' meeting.
 - B. Managers and employees of the company are remunerated based on factors including the industry's salary standards for their roles, the scope of responsibilities, and their level of contribution to the company's operations. The procedure for setting compensation entails not only reviewing the company's aggregated operational performance but also assessing individual performance achievements and contributions to the company, thereby providing fair remuneration.

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

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

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.

15. Non-operating revenues and expenses

(1) Interest income

	For the year ended December 2023	For the year ended December 2022
Interest on bank deposits	\$1,281	\$484

(2) Other income

	For the year ended December 2023	For the year ended December 2022
Rental income	\$130	\$102
Other income	963	1,614
Total	\$1,093	\$1,716

(3) Finance costs

	For the year ended December 2023	For the year ended December 2022
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(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Interest on bank loans	<u>\$31</u>	<u>\$6</u>
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16. 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	\$25,468	\$19,568
Prior years adjustment in the year	29	—
Income tax expenses	<u>\$25,497</u>	<u>\$19,568</u>

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

	For the year ended December 2023	For the year ended December 2022
Profit before income tax of continuing operations	\$164,343	\$171,330
Income tax calculated at the statutory tax rate	\$32,869	\$34,266
Income tax effect of tax-exempt revenues	(2,729)	(6,275)
Income tax impact of non-deductible expenses for tax reporting	472	937
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	<u>\$25,497</u>	<u>\$19,568</u>

(3) Income Tax Return Verification Status

As of December 31, 2023, the company's income tax filings have been approved up to the year 2021.

17. 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.

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

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) <u>Basic earnings per share</u>		
Current net profit (thousand dollars)	\$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) <u>Diluted earnings per share</u>		
Current net profit (thousand dollars)	\$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 shares)	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

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 following are related parties who had transactions with the company during the financial reporting period:

Related Party Names and Relationships

Related Party Name	Relationships with the
Ping Ho Materials Technology Co., Ltd.	The subsidiaries of the company
Ching Jing Industrial Co., Ltd.	The subsidiaries of the company
Wan Jing Industrial Co., Ltd.	The subsidiaries of the company
Feng Jia Industrial Co., Ltd.	The subsidiaries of the company
Yong Hong Engineering Ltd.	Substantial related party
China Fineblanking Technology Co., Ltd.	Substantial related party

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

Significant transactions between related parties

1. Sales

Related Party Name	For the year ended December 2023	For the year ended December 2022
Ching Jing Industrial Co., Ltd.	\$1,647	\$1,321
Wan Jing Industrial Co., Ltd.	9,199	7,644
Feng Jia Industrial Co., Ltd.	350	807
China Fineblanking Technology Co., Ltd.	4,332	2,443
Total	<u>\$15,528</u>	<u>\$12,215</u>

The company conducts sales transactions (including revenue from wastewater treatment) with related parties based on general terms and conditions, with a payment period of 30 days .

2. Purchase of goods

Related Party Name	For the year ended December 2023	For the year ended December 2022
Feng Jia Industrial Co., Ltd.	<u>\$135,391</u>	<u>\$201,590</u>

The company purchases goods (including chemical reagents and consumables) with related parties based on general terms and conditions, with a payment period of 30 to 60 days.

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

Related Party Name	2023.12.31	2022.12.31
<u>Accounts receivable</u>		
Ching Jing Industrial Co., Ltd.	\$399	\$297
Wan Jing Industrial Co., Ltd.	1,846	1,328
Feng Jia Industrial Co., Ltd.	10	97
China Fineblanking Technology Co., Ltd.	1,204	271
Total	<u>\$3,459</u>	<u>\$1,993</u>
Related Party Name	2023.12.31	2022.12.31
<u>Other receivables (Non-financial)</u>		
Ping Ho Materials Technology Co., Ltd.	\$32	\$31
Ching Jing Industrial Co., Ltd.	6	8
Wan Jing Industrial Co., Ltd.	4	4
Feng Jia Industrial Co., Ltd.	11	11
Total	<u>\$53</u>	<u>\$54</u>

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)

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

Related Party Name	2023.12.31	2022.12.31
<u>Accounts payable</u>		
Feng Jia Industrial Co., Ltd.	\$18,618	\$28,971
<u>Related Party Name</u>	<u>2023.12.31</u>	<u>2022.12.31</u>
<u>Other payables</u>		
Ching Jing Industrial Co., Ltd.	\$5,557	\$9,677
Wan Jing Industrial Co., Ltd.	2,687	1,354
Feng Jia Industrial Co., Ltd.	3,018	4,539
Yong Hong Engineering Ltd.	2,014	7,853
Total	\$13,276	\$23,423

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	\$1,486	Negotiated Price

2022.1.1 ~ 2022.12.31

Counterparty	Name of asset	Amount	Basis of transaction price
Ping Ho Materials Technology Co., Ltd.	Other equipment	\$327	Negotiated 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	840	Negotiated Price
Total		\$14,483	

5. Key executive compensation in the company

	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

6. Others

- (1) 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.
- (2) Disbursed Ching Jing Industrial Co., Ltd. for transportation costs \$33,739 thousand and \$41,364 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses - transportation expenses.
- (3) Disbursed Wan Jing Industrial Co., Ltd. for transportation costs \$11,589 thousand and \$9,555 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses - transportation expenses.
- (4) Disbursed Yong Hong Engineering Ltd. for maintenance fees \$4,166 thousand and \$3,222 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses, administrative expenses, and other prepaid expenses.
- (5) The company garnered service income and endorsements/guarantees income from Ping Ho Materials Technology Co., Ltd., Ching Jing Industrial Co., Ltd., Wan Jing Industrial Co., Ltd., and Feng Jia Industrial Co., Ltd. in 2023 and 2022 for \$864 thousand and \$831 thousand, respectively. These earnings were recorded under other income.

VIII. Pledged Assets

None for the item.

IX. Significant Commitments and Contingent Liabilities

None for the item.

X. Significant Losses from Natural Disasters

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)	\$114,579	\$58,751
Current financial assets at amortized cost	60,000	100,000
Accounts receivables	97,218	99,769
Guarantee deposits paid	12,728	6,304
Total	<u>\$284,525</u>	<u>\$264,824</u>
Financial Liabilities		
	2023.12.31	2022.12.31
Financial liabilities at amortized cost:		
Accounts Payables	<u>\$96,498</u>	<u>\$105,082</u>

2. Financial Risk Management Objectives and Policies

The primary goal of the company's financial risk management is to address market, credit, and liquidity risks associated with its operational activities. The company identifies, measures, and manages the aforementioned risks in accordance with its policies and risk preferences.

The company has established appropriate policies, procedures, and internal controls to manage the aforementioned financial risks in accordance with relevant regulations. Significant financial activities undergo review by the board of directors in compliance with applicable regulations and internal control protocols. During the execution of financial management activities, the company must faithfully comply with the established regulations for financial risk management.

3. Market risk

The market risk of the company refers to the risk of fluctuations in the fair value or cash flows of financial instruments due to changes in market prices. This risk primarily 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

Fluctuations in market interest rates pose a risk to the fair value or future cash flows of financial instruments, known as interest rate risk. This risk primarily arises for the

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

company from both fixed-rate and floating-rate borrowings.

The company manages interest rate risk by maintaining an appropriate blend of fixed and floating interest rates, supplemented with interest rate swap contracts.

(2) Equity price risk

The company mitigates price risk associated with equity securities through diversified investments and setting limits on both individual and aggregate equity investments. Details of the investment portfolio in equity securities must be regularly presented to the senior management of the company, and all decisions regarding equity securities investments must undergo review and approval 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	-/+ \$175 thousand	—

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	-/+ \$159 thousand	—

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 company arises from its operational activities (primarily accounts receivable and notes) and financial activities (mainly bank deposits and various financial instruments).

Each department of the company follows policies, procedures, and controls related to credit risk to manage it effectively. Credit risk assessments for all counterparties are based on a comprehensive evaluation of factors, including their financial status, ratings from credit agencies, historical transaction records, prevailing economic conditions, and internal rating criteria established by the company. The company also employs certain credit enhancement tools (such as advance sales receipts and insurance) to mitigate the credit risk posed by particular counterparties at appropriate times.

As of the year 2023 and December 31, 2022, the accounts receivable from the top ten customers amounted to 65.49% and 70.40% respectively of the total accounts receivable

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

of the company, indicating no significant credit concentration risk in accounts receivable.

The financial units of the company manage credit risks associated with bank deposits and other financial instruments in accordance with the company policies. Due to the company's trading partners are determined by internal control procedures, they consist of organizations with good credit, no significant credit risks.

The company evaluates expected credit losses as per International Financial Reporting Standard 9. Apart from accounts receivable, which are evaluated for credit losses over their expected duration, other debt instrument investments not measured at fair value through profit or loss are initially recognized based on low credit risk. The credit risk is reassessed at each balance sheet date to determine any significant increase since initial recognition. Thereby impacting the method and loss rate applied for measuring the provision for credit losses.

Additionally, the company will write off financial assets when it becomes impracticable to anticipate their recovery (such as significant financial difficulties faced by the issuer or debtor, or declaration of bankruptcy).

5. Liquidity Risk Management

The company maintains financial flexibility through contracts such as cash, cash equivalents, and bank loans. The table below summarizes the maturity schedule of the company's financial liabilities, detailing payment obligations based on the earliest potential repayment date and compiled using their undiscounted cash flows, including contractual interest. 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					
Accounts Payables	\$96,498	\$—	\$—	\$—	\$96,498
2022.12.31					
Accounts Payables	\$105,082	\$—	\$—	\$—	\$105,082

6. The reconciliation of liabilities from financing activities

Information on adjustments to liabilities for the years 2023 and 2022: No occurrences.

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. Below are the methods and assumptions employed by the company to assess or

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

disclose the fair value of financial assets and liabilities:

- 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 company's financial instruments measured at amortized cost, including cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities, have carrying amounts that closely approximate their fair values.

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

Please refer to Note (12).8 for information on the fair value hierarchy of the company'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 company doesn't possess assets measured at fair value on a non-recurring basis, nor have assets and liabilities evaluated at fair value on a recurring basis.

9. Capital management

The primary objective of the company's capital management is to maintain a robust credit rating and favorable capital ratios to support operational activities and maximize shareholder equity. The company manages and adjusts its capital structure based on economic conditions, potentially achieving it through dividend payouts, capital repayment, or the issuance of new shares to maintain or modify the capital structure as necessary.

XIII. Notes to Disclosure Items

1. Related Information of Significant Transactions and Information on Investees

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

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

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)

(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	The ratio of accumulated endorsement/ guarantee to the latest net value in the financial statements.	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	Relation (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 endorsed/guarantee amount for both the company and its subsidiaries shall not exceed 50% of the company's net worth. Similarly, the total endorsed/guarantee amount for any single enterprise by both the company and its subsidiaries shall not exceed 50% of the company's net worth.

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

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)
(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	100.00%	30 days	—	—	\$18,618	77.86%	

- (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.

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)
(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:

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)

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

- (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."
- (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 3) Including unrealized profits and losses among affiliated companies.

(Note 4) Transactions are already eliminated when compiling the consolidated financial statements.

Ping Ho Environmental Technology Co., Ltd.

1. Detailed Statement of Cash and Cash Equivalents

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Petty cash		\$50	
Bank deposit:			
Deposits of New Taiwan Dollar		114,579	
Total		<hr/> \$114,629 <hr/>	

Ping Ho Environmental Technology Co., Ltd.

2. Current financial assets at amortized cost

December 31, 2023

Expressed in thousands of New Taiwan dollars

Name	Summary	AMOUNT	Remarks
King's Town Bank - Gangshan Branch	Time deposits	<u>\$60,000</u>	

Ping Ho Environmental Technology Co., Ltd.

3. List of Net Notes Receivable

December 31, 2023

Expressed in thousands of New Taiwan dollars

Client Name	Summary	AMOUNT	Remarks
C1002	Wastewater Treatment	\$6,675	
C1001	Wastewater Treatment	3,080	
C2029	Wastewater Treatment	1,868	
C1003	Wastewater Treatment	1,464	
C1010	Wastewater Treatment	1,109	
C1005	Wastewater Treatment	1,066	
Others (Note)		5,713	
Subtotal		<u>20,975</u>	
(Deduct): Loss allowance		(—)	
Net amount		<u><u>\$20,975</u></u>	

(Note): The individual balance does not exceed 5% of the notes receivable balance.

Ping Ho Environmental Technology Co., Ltd.

4. List of Net Accounts Receivable

December 31, 2023

Expressed in thousands of New Taiwan dollars

Client Name	Summary	AMOUNT	Remarks
C4001	Wastewater Treatment	\$20,002	
C1006	Wastewater Treatment	7,391	
C1002	Wastewater Treatment	6,830	
C1013	Wastewater Treatment	4,417	
Others (Note)		34,787	
Subtotal		<u>73,427</u>	
(Deduct): Loss allowance		(745)	
Net amount		<u><u>\$72,682</u></u>	

(Note): The individual balance does not exceed 5% of the accounts receivable balance.

Ping Ho Environmental Technology Co., Ltd.

5. Accounts receivable - List of related parties

December 31, 2023

Expressed in thousands of New Taiwan dollars

Client Name	Summary	AMOUNT	Remarks
Ching Jing Industrial Co., Ltd.	Wastewater Treatment	\$399	
Wan Jing Industrial Co., Ltd.	Acid Waste Recycling Disposal	1,846	
Feng Jia Industrial Co., Ltd.	Sale of recycled products	10	
China Fineblanking Technology Co., Ltd.	Wastewater Treatment	1,204	
Total		<u>\$3,459</u>	

Ping Ho Environmental Technology Co., Ltd.

6. List of Other Receivables

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Other receivables - Interest receivables	Interest income	\$46	
Other receivables - Others	Revenue of rental and electricity expenses	3	
Total		<u>\$49</u>	

Ping Ho Environmental Technology Co., Ltd.

7. Other receivables - List of related parties

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Ping Ho Materials Technology Co., Ltd.	Service revenue	\$32	
Ching Jing Industrial Co., Ltd.	Service revenue	6	
Wan Jing Industrial Co., Ltd.	Service revenue	4	
Feng Jia Industrial Co., Ltd.	Service revenue	11	
Total		<hr/> \$53 <hr/>	

Ping Ho Environmental Technology Co., Ltd.

8. List of Inventories

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Costs	Net realizable value	Remarks
Raw materials	\$1,304	\$1,302	
Semi-finished goods	209	64	
Subtotal	<u>1,513</u>	<u>\$1,366</u>	
(Deduct): Allowance for inventory valuation loss	(147)		
Net amount	<u>\$1,366</u>		

Ping Ho Environmental Technology Co., Ltd.

9. List of prepaid accounts

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	AMOUNT	Remarks
Prepayments of repairs and maintenance expense	\$2,772	
Others (Note)	273	
Total	<u>\$3,045</u>	

(Note): The individual balance does not exceed 5% of the prepayments balance.

Ping Ho Environmental Technology Co., Ltd.

10. Detailed Statement of changes in investment property accounted for using the equity method

December 31, 2023

Expressed in thousands of New Taiwan dollars

Investee	Beginning balance		Increase for the period		Decrement for the period		Investment (loss) gain	Ending Balance			Market price or net equity		Provide collateral or pledges	Remarks
	Number of shares (1000 shares)	AMOUNT	Number of shares (1000 shares)	AMOUNT	Number of shares (1000 shares)	AMOUNT	AMOUNT	Number of shares (1000 shares)	Percentage of ownership (%)	AMOUNT	Unit Price	Total Price		
Ping Ho Materials Technology Co., Ltd.	10,570	\$88,212	5,760	\$57,600	2,431	(\$221)	(\$21,982)	13,899	92.66%	123,609	—	\$123,609	None	Note (1)
Ching Jing Industrial Co., Ltd.	2,470	36,497	—	—	—	(6,951)	7,169	2,470	100.00%	36,715	—	\$36,715	None	Note (2)
Wan Jing Industrial Co., Ltd.	900	13,071	—	—	—	(2,257)	3,491	900	100.00%	14,305	—	\$14,305	None	Note (3)
Feng Jia Industrial Co., Ltd.	6,351	114,159	—	—	—	(36,645)	24,968	6,351	100.00%	102,482	—	\$102,482	None	Note (4)
Total		\$251,939		\$57,600		(\$46,074)	\$13,646			\$277,111				

- (Note 1) The increase for the current period includes a new investment of \$57,600 thousand. The decrease for the current period comprises \$24,310 thousand for compensating losses from investee companies' capital reduction and \$221 thousand for adjustments due to unsubscribed shares based on the shareholding ratio.
- (Note 2) The decrease for this current period is due to cash dividends of \$6,951 thousand issued by investee companies.
- (Note 3) The decrease for this current period is due to cash dividends of \$2,257 thousand issued by investee companies.
- (Note 4) The decrease for this current period is due to cash dividends of \$36,645 thousand issued by investee companies.

Ping Ho Environmental Technology Co., Ltd.

11. List of other non-current assets

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Guarantee deposits paid	The usage of buried pipelines and the performance bond for tender execution	\$12,728	
Prepayments for equipment	Prepayments for equipment purchase	2,435	
Total		<u>\$15,163</u>	

Ping Ho Environmental Technology Co., Ltd.

12. List of notes payable

December 31, 2023

Expressed in thousands of New Taiwan dollars

Vendor Name	Summary	AMOUNT	Remarks
S3031	Proxy operation service	\$1,020	
S5005	Wastewater testing services	951	
S5088	Waste sludge transportation	610	
S3046	Maintenance of wastewater treatment facilities	488	
S1004	Consumables for wastewater testing	309	
Others (Note)		1,915	
Total		<u>\$5,293</u>	

(Note): The individual balance does not exceed 5% of the notes payable balance.

Ping Ho Environmental Technology Co., Ltd.

13. Accounts payable - List of related parties

December 31, 2023

Expressed in thousands of New Taiwan dollars

Vendor Name	Summary	AMOUNT	Remarks
Feng Jia Industrial Co., Ltd.	Procurement of chemical agents	\$18,618	

Ping Ho Environmental Technology Co., Ltd.

14. List of other payables

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Wages and salaries payable	Wages and salaries payable, year-end bonus, and compensation for employee and director	\$30,841	
Other payables	Expenses for employee labor and health insurance and utility bills...etc.	28,470	
Total		<u>\$59,311</u>	

Ping Ho Environmental Technology Co., Ltd.

15. List of other payables to related parties

December 31, 2023

Expressed in thousands of New Taiwan dollars

Vendor Name	Summary	AMOUNT	Remarks
Ching Jing Industrial Co., Ltd.	Other cleaning and transportation fees	\$5,557	
Wan Jing Industrial Co., Ltd.	Activated carbon waste disposal	2,687	
Feng Jia Industrial Co., Ltd.	Procurement of laboratory medicine	3,018	
Yong Hong Engineering Ltd.	Maintenance of equipment	2,014	
Total		\$13,276	

Ping Ho Environmental Technology Co., Ltd.

16. List of current tax liabilities

December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Current tax liabilities	Profit-Seeking Enterprise Income Tax in 2023	\$15,648	

Ping Ho Environmental Technology Co., Ltd.

17. List of other current liabilities

December 31, 2023

Expressed in thousands
of New Taiwan dollars

Item	Summary	AMOUNT	Remarks
Temporary credits	Temporary credits for telecommunication service rental fees	\$2	
Receipts under custody	Withholding tax deductions...etc.	481	
Total		<u>\$483</u>	

Ping Ho Environmental Technology Co., Ltd.

18. List of net operating revenue

December 31, 2023

Expressed in thousands of New Taiwan dollars

Unit of quantity: Tons

Item	Quantity	AMOUNT	Remarks
Revenue of wastewater Treatment	519,534 Tons	\$448,295	
Others (Note)		74,526	
Subtotal		522,821	
(Deduct): Sales returns, discounts, and allowances		(3,744)	
Net amount		\$519,077	

Note: Revenue of the wastewater treatment

Ping Ho Environmental Technology Co., Ltd.

19. List of operating costs

January 1 to December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	AMOUNT
Wastewater treatment segment:	
Raw materials purchased during this period	\$106,956
Add: Beginning inventory	1,817
Deduct: Ending inventory	(1,304)
Material consumption during this period	107,469
Direct Labor	16,072
Overhead	192,377
Wastewater treatment costs	315,918
Add: Beginning of work in progress	—
Transfer semi-finished goods in	7,209
Deduct: Ending of work in progress	—
Transfer semi-finished goods in	(8,430)
Finished goods costs	314,697
Sales of semi-finished goods	
Add: Beginning of semi-finished goods	304
Transfer in of work in progress	8,430
Deduct: Ending semi-finished goods	(209)
Transfer semi-finished goods to work in progress	(7,209)
Sales of semi-finished goods	1,316
Other operating costs	(85)
Operating costs - Self-made	\$315,928

Ping Ho Environmental Technology Co., Ltd.

20. List of operating expense

January 1 to December 31, 2023

Expressed in thousands of New Taiwan dollars

Item	Administrative expenses	Research and development expense
Wages and salaries	\$25,334	\$6,480
Entertainment expense	2,550	1
Services expense	2,856	—
Insurance expense	1,835	797
Donation expense	1,221	—
Consumables	—	1,717
Technical research expense	—	1,400
Testing expense	—	1,219
Depreciation	140	1,119
Other expense (Note)	7,669	457
Total	<u>\$41,605</u>	<u>\$13,190</u>

(Note): The individual balance does not exceed one million dollars.