

Stock Code: 6771

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

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

For the years ended December 31, 2025 and 2024

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

Company Phone: (07) 623-3690

Notice to Readers

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Consolidated Financial Statements

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Declaration

For the year 2025 (from January 1, 2025 to December 31, 2025), The Company prepared the consolidated financial statements according to the “Preparation Guidelines for Consolidated Business Reports, Consolidated Financial Statements and Relationship Reports of Related Entities”, are the same as those included in the consolidated financial statements of intercompany according to IFRS 10. All related information that should be disclosed in the consolidated financial statements of the intercompany is already included in the consolidated financial statements. Therefore, we do not prepare an additional set of consolidated financial statements for intercompany.

Sincerely,

Company: Ping Ho Environmental
Technology Co., Ltd.

Chairman: Ming-Yang Wu

March 6, 2026

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated balance sheets of Ping Ho Environmental Technology Co., Ltd. and subsidiaries (the "Group") as at December 31, 2025 and 2024, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and noted to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025 and 2024, and consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 2025 of Ping Ho Environmental Technology Co., Ltd. and its subsidiaries. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recognition of revenue

The main operating revenue of the Group comes from the Wastewater Treatment. Since there are numerous entrusted wastewater treatment customers, the existence and completeness of the transactions with the customers affect the amount and timing of revenue recognition. Therefore, we identified the recognition of revenues as a key audit matter.

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

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

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

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

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

Auditors' responsibility for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls related to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of their accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified 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 Ping Ho Environmental Technology Co., Ltd. and its subsidiary that were of most significance in the audit of the consolidated financial statements for the year 2025 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communicate.

Others

Ping Ho Environmental Technology Co., Ltd. has prepared its individual financial statements for the years ended December 31, 2025 and 2024, and the unmodified auditors' reports have been issued for reference.

Ernst & Young Global Limited

The competent authorities approved the financial report of the public offering company

	Financial-Supervisory-
Auditing and	Securities No. 1100352201
Certification No.:	Financial-Supervisory-
	Securities No.0970038990

Kuo-Sen Hung

Auditor:

Chen Cheng-Chu

March 6, 2026

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD AND SUBSIDIARIES
 Consolidated Balance Sheets
 December 31, 2025 and 2024

	Assets		December 31, 2025		December 31, 2024			Liabilities and equity			December 31, 2025		December 31, 2024	
Code	Account Item	Notes	Amount	%	Amount	%	Code	Account Item	Notes	Amount	%	Amount	%	
	CURRENT ASSETS							CURRENT LIABILITIES						
1100	Cash and cash equivalents	(Note 4)/ (Note 6).1	\$298,562	21	\$207,151	15	2100	Short-term loans	(Note 6).10	\$10,000	1	\$88,000	7	
1110	Financial assets at fair value through profit or loss - current	(Note 4)/ (Note 6).2	38,643	3	42,471	3	2120	Financial liabilities at FVTPL - current	(Note 4)/ (Note 6).11	2,415	0	-	-	
1136	Current financial assets at amortized cost	(Note 4)/ (Note 6).3	8,000	1	25,000	2	2150	Notes payable		20,065	1	22,728	2	
1150	Bills receivable, net	(Note 4)/ (Note 6).4	26,504	2	28,284	2	2170	Accounts payable		8,611	1	9,928	0	
1170	Accounts receivable, net	(Note 4)/ (Note 6).5	77,963	5	94,619	7	2200	Other payables		74,504	6	79,091	6	
1180	Accounts receivable - related parties	(Note 4)/ (Note 6).5/ (Note 7)	287	0	3,313	0	2220	Other payables - related parties	(Note 7)	1,723	0	2,051	0	
1200	Other receivables	(Note 4)	21,722	2	6,110	1	2230	Current income tax liabilities	(Note 4)	18,424	1	22,202	2	
1210	Other receivables - related parties	(Note 4)/ (Note 7)	84	0	345	0	2280	Lease liabilities - current	(Note 4)/ (Note 6).19	285	0	-	-	
1220	Current tax assets	(Note 4)/ (Note 6).22	50	0	6	0	2322	Long-term borrowings due within one year or one operating cycle	(Note 6).13	6,000	0	45,209	3	
130x	INVENTORIES	(Note 4)/ (Note 6).6	3,528	0	3,127	0	2399	Other current liabilities		99	0	64	0	
1410	Prepayments	(Note 7)	11,335	1	25,538	2	21xx	Total current liabilities		142,126	10	269,273	20	
1470	Other current assets		6	0	-	-								
1482	Contract Fulfillment Costs-Current	(Note 6).17(2)	1,225	0	1,426	0		NONCURRENT LIABILITIES						
11xx	Total current assets		487,909	35	437,390	32	2530	Bonds payable	(Note 6).12	330,797	24	-	-	
							2540	Long-term borrowings	(Note 6).13	22,167	2	209,668	16	
	NONCURRENT ASSETS						2580	Lease liabilities - noncurrent	(Note 4)/ (Note 6).19	896	0	-	-	
1550	Investments accounted for using equity method	(Note 4)/ (Note 6).7	2,083	0	-	-	2670	Other noncurrent liabilities - Others	(Note 7)	240	0	-	-	
1600	PROPERTY, PLANT AND EQUIPMENT	(Note 4)/ (Note 6).8/ (Note 7)/(Note 8)	826,894	60	845,468	63	25xx	Total noncurrent liabilities		354,100	26	209,668	16	
1775	Right-of-use assets	(Note 4)/ (Note 6).19	1,169	0	-	-	2xxx	Total liabilities		496,226	36	478,941	36	
1840	Deferred tax assets	(Note 4)/ (Note 6).22	37,298	3	31,203	2								
1990	Other noncurrent assets	(Note 6).9	33,047	2	34,658	3		Equity attributable to shareholders of the parent	(Note 6).15					
15xx	Total noncurrent assets		900,491	65	911,329	68	3100	Share capital						
							3110	Capital stock		311,795	22	311,795	23	
							3200	Capital surplus		280,156	20	261,215	19	
							3300	Retained earnings						
							3310	Legal reserve		109,373	8	97,596	7	
							3350	Unappropriated retained earnings		181,538	13	190,836	14	
								Total		290,911	21	288,432	21	
							31xx	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT		882,862	63	861,442	63	
							36xx	Non-controlling interest	(Note 4)/ (Note 6).15	9,312	1	8,336	1	
							3xxx	Total equity		892,174	64	869,778	64	
1xxx	Total assets		\$1,388,400	100	\$1,348,719	100		Total liabilities and equity		\$1,388,400	100	\$1,348,719	100	

(Refer to NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

Chairman: Ming-Yang Wu

Executive officers: Huang Hongjie

Accounting Supervisor: Yi-Sheng Chen

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
From January 1 to December 31, 2025 and 2024

Unit: In Thousands of New Taiwan Dollars

Code	Item	Notes	2025		2024	
			Amount	%	Amount	%
4000	Revenue	(Note 4)/ (Note 6).17/ (Note 7)	\$618,026	100	\$635,001	100
5000	COST OF REVENUE	(Note 6).6, 20/ (Note 7)	<u>(327,985)</u>	<u>(53)</u>	<u>(342,018)</u>	<u>(54)</u>
5900	GROSS PROFIT		<u>290,041</u>	<u>47</u>	<u>292,983</u>	<u>46</u>
6000	Operating expenses	(Note 6).18, 19, 20/ (Note 7)				
6200	Administrative expenses		(115,991)	(19)	(115,865)	(18)
6300	Research and development		<u>(16,167)</u>	<u>(3)</u>	<u>(14,702)</u>	<u>(2)</u>
	Total operating expenses		<u>(132,158)</u>	<u>(22)</u>	<u>(130,567)</u>	<u>(20)</u>
6900	OPERATING INCOME		<u>157,883</u>	<u>25</u>	<u>162,416</u>	<u>26</u>
7000	NON-OPERATING INCOME AND EXPENSES	(Note 6).21/ (Note 7)				
7100	Interest revenue		3,558	1	2,118	0
7010	Other income		1,613	0	914	0
7020	Other gains and losses		(8,144)	(1)	(7,027)	(1)
7050	FINANCE COSTS		(9,959)	(2)	(9,348)	(1)
7060	Share of profits of associates and joint ventures accounted for using the equity method	(Note 4)/ (Note 6).7	<u>(117)</u>	<u>(0)</u>	<u>-</u>	<u>-</u>
	Total NON-OPERATING INCOME AND EXPENSES		<u>(13,049)</u>	<u>(2)</u>	<u>(13,343)</u>	<u>(2)</u>
7900	Income before income tax		<u>144,834</u>	<u>23</u>	<u>149,073</u>	<u>24</u>
7950	Income tax expenses	(Note 4)/ (Note 6).22	<u>(32,251)</u>	<u>(5)</u>	<u>(32,532)</u>	<u>(5)</u>
8200	Net income after tax		<u>112,583</u>	<u>18</u>	<u>116,541</u>	<u>19</u>
8500	Total comprehensive income (loss)		<u>\$112,583</u>	<u>18</u>	<u>\$116,541</u>	<u>19</u>
8600	NET INCOME ATTRIBUTABLE TO:					
8610	Owners of the parent company		\$113,344	18	\$118,280	19
8620	Non-controlling interest		<u>(761)</u>	<u>(0)</u>	<u>(1,739)</u>	<u>(0)</u>
			<u>\$112,583</u>	<u>18</u>	<u>\$116,541</u>	<u>19</u>
8700	TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
8710	Owners of the parent company		\$113,344	18	\$118,280	19
8720	Non-controlling interest		<u>(761)</u>	<u>(0)</u>	<u>(1,739)</u>	<u>(0)</u>
			<u>\$112,583</u>	<u>18</u>	<u>\$116,541</u>	<u>19</u>
	Earnings per share (NTD)	(Note 4)/ (Note 6).23				
9750	Basic Earnings Per Share		<u>\$3.64</u>		<u>\$3.89</u>	
9850	Diluted earnings per share		<u>\$3.30</u>		<u>\$3.86</u>	

(Refer to NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

Chairman: Ming-Yang Wu

Executive officers: Huang Hongjie

Accounting Supervisor: Yi-Sheng Chen

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
From January 1 to December 31, 2025 and 2024

Unit: In Thousands of New Taiwan Dollars

	Item	Equity attributable to shareholders of the parent					Non-controlling interest	Total equity
		Capital stock	Capital surplus	Retained earnings		Total		
				Legal reserve	Unappropriated retained earnings			
Code		3110	3200	3310	3350	31XX	36XX	3XXX
A1	Balance on January 1, 2024	\$291,795	\$146,721	\$83,711	\$203,668	\$725,895	\$10,084	\$735,979
	Appropriation of Earnings Proposal for the year ended December 2023							
B1	Provision for legal reserve	-	-	13,885	(13,885)	-	-	-
B5	Common stock cash dividends	-	-	-	(116,718)	(116,718)	-	(116,718)
D1	Net income (loss) for 2024	-	-	-	118,280	118,280	(1,739)	116,541
D3	OTHER COMPREHENSIVE INCOME (LOSS) for the year ended December 2024	-	-	-	-	-	-	-
D5	Total comprehensive income (loss)	-	-	-	118,280	118,280	(1,739)	116,541
E1	Cash capital increase	20,000	109,781			129,781	-	129,781
M5	From the difference between the actual acquisition or disposal of the subsidiary's equity price and the carrying amount.	-	(12)	-	-	(12)	(518)	(530)
M7	Changes in ownership interests in subsidiaries	-	-	-	(509)	(509)	-	(509)
N1	Share-based payment transaction	-	4,725	-	-	4,725	-	4,725
O1	Changes in non-controlling interests	-	-	-	-	-	509	509
Z1	Balance at December 31, 2024	\$311,795	\$261,215	\$97,596	\$190,836	\$861,442	\$8,336	\$869,778
A1	Balance on January 1, 2025	\$311,795	\$261,215	\$97,596	\$190,836	\$861,442	\$8,336	\$869,778
	Appropriation of Earnings Proposal for the year ended December 2024							
B1	Provision for legal reserve	-	-	11,777	(11,777)	-	-	-
B5	Common stock cash dividends	-	-	-	(109,128)	(109,128)	-	(109,128)
C5	Resulting from the recognition of equity components in items due to the issuance of convertible bonds - stock warrants generated	-	18,941	-	-	18,941	-	18,941
D1	Net income (loss) for the year ended December 2025	-	-	-	113,344	113,344	(761)	112,583
D3	OTHER COMPREHENSIVE INCOME (LOSS) for the year ended December 2025	-	-	-	-	-	-	-
D5	Total comprehensive income (loss)	-	-	-	113,344	113,344	(761)	112,583
M7	Changes in ownership interests in subsidiaries	-	-	-	(1,737)	(1,737)	-	(1,737)
O1	Changes in non-controlling interests	-	-	-	-	-	1,737	1,737
Z1	Balance at December 31, 2025	\$311,795	\$280,156	\$109,373	\$181,538	\$882,862	\$9,312	\$892,174

(Refer to NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

Chairman: Ming-Yang Wu

Executive officers: Huang Hongjie

Accounting Supervisor: Yi-Sheng Chen

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD AND SUBSIDIARIES
Consolidated Statements of Cash Flows
From January 1 to December 31, 2025 and 2024

Unit: In Thousands of New Taiwan Dollars

Code	Item	2025	2024	Code	Item	2025	2024
		Amount	Amount			Amount	Amount
AAAA	CASH FLOWS FROM OPERATING ACTIVITIES			BBBB	CASH FLOWS FROM INVESTING ACTIVITIES		
A10000	Profit before tax for the period	\$144,834	\$149,073	B00040	Acquisitions of financial assets at amortized cost	(48,000)	(125,000)
A20000	Adjustments for:			B00060	Financial assets at amortized costs maturity repayment	65,000	160,000
A20010	Revenue and expense items			B00100	Acquisitions of Financial instruments at fair value through profit or loss	-	(49,496)
A20100	Depreciation expense	46,825	48,600	B01800	Acquisitions of investments accounted for using equity method	(2,200)	-
A20400	Net loss from FINANCIAL ASSETS AND LIABILITIES AT FVTPL	4,563	7,025	B02700	Acquisitions of property, plant and equipment	(19,942)	(9,089)
A20900	Interest expenses	9,959	9,348	B02800	Disposal of property, plant and equipment	816	240
A21200	Interest revenue	(3,558)	(2,118)	B06700	Additions to other noncurrent assets	(8,105)	(17,045)
A21300	Dividend income	(525)	(153)	B07600	Dividends received	525	153
A21900	Share-based compensation cost	-	4,725	BBBB	Net cash used in investing activities	(11,906)	(40,237)
A22300	Share of losses of associates and joint ventures accounted for using the equity method	117	-				
A22500	Gain (loss) on disposal or retirement of property, plant and equipment	(617)	(7)				
A29900	Others	70	(462)	CCCC	CASH FLOWS FROM FINANCING ACTIVITIES		
A30000	Changes in operating assets and liabilities:			C00100	Increase in short-term loans	120,000	111,000
A31130	Bills receivable, additions (deductions)	1,780	(767)	C00200	Decrease in short-term loans	(198,000)	(133,000)
A31150	Accounts receivable, additions (deductions)	16,656	(8,486)	C01200	Proceeds from issuance of bonds	351,750	-
A31160	Accounts receivable - related parties, additions (deductions)	3,026	(2,098)	C01600	Proceeds from long-term bank loans	61,000	15,000
A31180	Other receivables, additions	(15,612)	(1,926)	C01700	Repayment of long-term borrowings	(287,710)	(73,644)
A31190	Other receivables - related parties, additions (deductions)	261	(261)	C04020	Repayment of the principal portion of lease liabilities	(280)	-
A31200	INVENTORIES, Additions (deductions)	(471)	184	C04300	Additions to other noncurrent liabilities	240	-
A31230	Prepayments, additions (deductions)	15,703	(2,597)	C04500	Distribution of cash dividends	(109,128)	(116,718)
A31240	Additions to other current assets	(6)	-	C04600	Cash capital increase	-	129,781
A31280	Contract Fulfillment Costs, additions (deductions)	201	(1,426)	C05400	Acquisitions of subsidiary equity	-	(530)
A32130	Notes payable, (deductions) additions	(2,663)	1,635	C05600	Interest paid	(4,857)	(9,464)
A32150	Accounts payable, (deductions) additions	(1,317)	645	CCCC	Net cash used in financing activities	(66,985)	(77,575)
A32180	Other payables, (deductions) additions	(10,021)	2,279				
A32190	Other payables - related parties, (deductions)	(328)	(968)				
A32230	Additions (deductions) to other current liabilities	35	(1,002)				
A33000	Inflows of cash generated from operations	208,912	201,243				
A33100	Interest received	3,558	2,156	EEEE	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR THE PERIOD	91,411	50,263
A33500	Income tax paid	(42,168)	(35,324)	E00100	Cash and cash equivalents at beginning of the period	207,151	156,888
AAAA	Net cash generated by operating activities	170,302	168,075	E00200	Cash and cash equivalents at the end of the period	\$298,562	\$207,151

(Refer to NOTES TO CONSOLIDATED FINANCIAL STATEMENTS)

Chairman: Ming-Yang Wu

Executive officers: Huang Hongjie

Accounting Supervisor: Yi-Sheng Chen

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Financial Statements
For the years ended December 31, 2025 and 2024
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

I. Company History

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.

The Company's stock was listed and traded on the Taiwan Stock Exchange Corporation starting from May 17, 2024.

II. Approval Date and Procedures of the Financial Statements

The Company and subsidiaries (the “Group”) consolidated financial statements for the years ended December 31, 2025 and 2024 were authorized for issuance by the Board of Directors on March 6, 2026.

III. Application of New, Revised, and Amended Standards and Interpretations

1. Changes in accounting policies resulting from the first-time application of International Financial Reporting Standards

The Group has adopted the International Financial Reporting Standards (“IFRS”), International Accounting Standards (“IAS”), Financial Reporting Interpretations or Interpretations bulletins that have been endorsed by the Financial Supervisory Commission (“FSC”) and are effective from 2025. The initial application of the new standards and amendments had no significant impact to the Group.

2. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC.

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	IFRS 17 “Insurance Contracts”	January 1, 2023
2	Financial Instruments and Financial Instruments: Disclosures (Amendments to IFRS 9 and IAS 7)	January 1, 2026
3	Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
4	Dependent Electricity Contracts (Amendments to IFRS	January 1, 2026

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

	9 and IAS 7)	
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(1) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model to insurance contracts, including all accounting treatment (recognition, measurement, expression, and disclosure principle). The core of the standard is general, and under this model, initial recognition measures the insurance contract group by the combination of the cash flow from performance obligation and contract service margin; the book amount at the end of each reporting period is the sum of the liability for remaining coverage and the liability for incurred claims.

In addition to the general model, a specific applicable method (Variable Fee Approach, VFA) for contracts with direct participation features as well as a simplified approach for short-term contracts (Premium Allocation Approach, PAA) are provided. 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. This standard replaces an interim standard (IFRS 4 “Insurance Contracts”).

(2) Financial Instruments and Financial Instruments: Disclosures (Amendments to IFRS 9 and IAS 7)

This amendment includes:

- (a) A clarification that financial liabilities are to be removed from balance sheet on the settlement date, and the proper accounting treatment for financial liabilities that are settled using electronic payment before the settlement date.
- (b) A clarification on how to assess the cash flow characteristics of financial assets that are linked to environment, social, and governance (ESG) issues or other financial assets of similar contingent characteristics.
- (c) A clarification on accounting treatments for assets with non-recourse features and contractually linked instruments.
- (d) IFRS 7 requires additional disclosures for financial assets or liabilities that carry special conditions or characteristics (including ESG linkage) and equity investments at fair value through other comprehensive income.

(3) Annual Improvements to IFRS Accounting Standards - Volume 11

(a) Amendments to IFRS 1

The main amendment aligns the hedge accounting guidance for first-time

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

adopters of this standard with the requirements of IFRS 9.

(b) Amendments to IFRS 7

This amendment updates outdated cross-references related to gains or losses on derecognition.

(c) Amendments to IFRS 7 Implementation Guidance

These amendments improve certain wording in the implementation guidance, including the introduction, disclosures on deferred fair value and trade price differences, and credit risk disclosures.

(d) Amendments to IFRS 9

This amendment introduces cross-references to address uncertainties related to the derecognition of lease liabilities by lessees, and clarifies the treatment of transaction prices.

(e) Amendments to IFRS 10

This amendment eliminates the inconsistency between paragraph B74 and B73 of the standard.

(f) Amendments to IAS 7

This amendment removes the reference to the cost method in paragraph 37 of the standard.

(4) Dependent Electricity Contracts (Amendments to IFRS 9 and IAS 7)

This amendment includes:

(a) A clarification on applicable regulations of ‘own use.’

(b) When a contract is used as a hedging instrument, hedge accounting is allowed to be applied.

(c) The regulations of disclosure in the notes are increased to help investors understand the effects of such contracts on the entity’s financial performance and cash flows.

The above new and revised standards are applicable for the accounting period starting from January 1, 2026, and the Group assessed that there is no significant impact.

3. As of the date of the issuance of the financial report, the Group has not adopted the following newly published, revised, or amended standards or interpretations announced by the International Accounting Standards Board but not yet approved by the FSC:

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
1	Amendments to IFRS 10 Consolidated Financial Statements, and IAS 28 Investments in Associates and	To be determined by International

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

No.	New/Amended/Revised Standards and Interpretations	The effective date announced by the International Accounting Standards Board
	Joint Ventures -- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Accounting Standards Board
2	IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027 (Note)
3	Disclosure initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)	January 1, 2027
4	Exchange into a Presentation Currency Under Hyperinflation (Amendments to IAS 21 and IAS 29)	January 1, 2027

Note: on September 25, 2025, the Financial Supervisory Commission issued a press release about Taiwan's adoption of IFRS 18 in 2028.

- (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 Associate or Joint Venture

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 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture shall be offset through downstream sale. IFRS 10 requires full profit or loss recognition other loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets as defined in IFRS 3 shall be recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors' interests in the associate or joint venture.

- (2) IFRS 18 “Presentation and Disclosure in Financial Statements”

This standard will supersede IAS 1 - “Presentation of Financial Statements” and introduces the following major changes:

- (a) Enhanced comparability of the income statement

Income and expenses in the statement of profit or loss will be classified into five categories—operating, investing, financing, income tax, and discontinued operations. The first three are newly introduced classifications aimed at

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

improving the structure of the statement. All entities will be required to present newly defined subtotals, including operating profit or loss. By enhancing the structure of the income statement and introducing new defined subtotals, investors can have a consistent starting point when analyzing financial performance across entities and make comparisons more easily.

- (b) Improved transparency of management performance measures
Entities are required to disclose explanations of company-specific metrics related to the statement of profit or loss, referred to as management performance measures.
- (c) Useful aggregation of financial statement information
Guidance is provided on where to present financial information in the primary financial statements or notes, expected to provide more detailed and useful information. Entities are required to provide more transparent information on operating expenses to assist investors in identifying and understanding the information used.

(3) Disclosure initiative - Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This new standard and its amendments provide simplified disclosures for subsidiaries without public accountability, allowing eligible subsidiaries to choose to apply this standard voluntarily.

(4) Exchange into a Presentation Currency Under Hyperinflation (Amendments to IAS 21 and IAS 29)

This amendment includes:

- (a) Clarify that when the functional currency of a reporting entity is not under hyperinflation and is exchanged into a presentation currency under hyperinflation, its operating results and financial position should be translated at the closing exchange rate on the date of the most recent statement of financial position.
- (b) In the aforementioned circumstances, when the subsequent presentation currency is no longer under hyperinflation, the reporting entity should not restate prior period amounts.
- (c) When both the functional currency and presentation currency are under hyperinflation, the reporting entity should perform the relevant accounting treatment in accordance with paragraph 34 of IAS 29.

The above standards or interpretations issued by the IASB but not yet endorsed by the FSC will take effect in accordance with the regulations of FSC. Other than the ongoing evaluation of the potential impact of the newly issued or amended standards or

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

interpretations related to (2), the Group is temporarily unable to reasonably estimate the impact of the aforementioned standards or interpretations on the Group. The rest of the new standards, interpretations and amendments have no significant impact to the Group.

IV. Summary of Significant Accounting Policies

1. Compliance Statement

The consolidated financial statements of the Group for the years ended December 31, 2025 and 2024 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), IFRIC Interpretations and SIC Interpretations that came into effect as endorsed by the FSC.

2. Basis of Preparation

Besides the consolidated financial instruments measured at fair value, the Individual Financial Statements are prepared on the basis of historical costs. Unless otherwise stated, the consolidated financial statements are in thousands of New Taiwan dollars.

3. Consolidation

The basis of preparation for consolidated financial statements

When the Company is exposed to the varied remunerations participated by the investees or is entitled to the varied remunerations and is capable of affecting the remunerations through the authority over the investees, the controlling is achieved. The Company will only have control over the investee when the following three criteria of control have been met:

- (1) The power over the invested company (i.e., having the vested rights to lead the relevant activities)
- (2) The risk exposure or right of the variable returns from participating in the invested company, and
- (3) The ability to influence the amount of returns of the invested company by exercising power over the invested company

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

- (1) Contractual agreements with other voting rights holders of the invested company
- (2) Rights arising from other contractual agreements
- (3) Voting rights and potential voting rights

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

Subsidiaries are included in the consolidated statements in their entirety from the date of acquisition or from the date the Company gains substantial control over them, until the date when control over the subsidiary is lost. The accounting cycle and accounting policy of the subsidiary's financial statements will follow those of the parent company. All balances and transactions in the Group and unrealized internal gains and losses arising from internal transactions within the Group and dividends will be completely written off.

If control over the subsidiary is not lost, changes in shares held in the subsidiary will be treated as equity transactions.

A subsidiary's total comprehensive income is attributed to the shareholders of the Company and non-controlling interests, even if non-controlling interests become deficit balance in the process.

If the Company's control over the subsidiary is lost, then:

- (1) Subsidiary's assets (including goodwill) and liabilities will be derecognized;
- (2) Carrying amount of any non-controlling interests will be derecognized;
- (3) Fair value of the considerations acquired will be recognized;
- (4) Fair value of any retained investments will be recognized;
- (5) Amounts recognized in other comprehensive income by the parent company will be reclassified as gains or losses in the period or transferred directly to retained earnings in accordance with other International Financial Reporting Standards;
- (6) Any resulting differences will be recognized as gains or losses in the period.

The main business entity of the consolidated financial statements is as follows:

Name of investors	Name of subsidiaries	Principal business operation	Percentage of ownership	
			December 31, 2025	2024.12.31
The Company	Ping Ho Materials Technology Co., Ltd.	Wastewater Treatment	98.33% (Note)	94.81% (Note)
The Company	Ching Jin	Waste	100.00%	100.00%

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

The Company	Industrial Co., Ltd. Wan Jing Industrial Co., Ltd.	Transportation Waste	100.00%	100.00%
The Company	Feng Jia Industrial Co., Ltd.	Transportation Manufacture and wholesale of chemical raw materials	100.00%	100.00%

(Note): Ping Ho Materials Technology Co., Ltd. resolved to increase its capital and issue new shares amounting to NT\$50,000 thousand in July, 2024, all of which were subscribed by the company. Additionally, in August, 2024, the Company resolved to acquire an additional 0.42% of voting shares in Ping Ho Materials Technology Co., Ltd., increasing its ownership percentage to 94.81%. Additionally, in May, 2025, Ping Ho Materials Technology Co., Ltd. resolved to increase its capital and issue new shares amounting to NT\$420,000 thousand, all of which were subscribed by the Company, resulting in an ownership percentage of 98.33%.

4. Classification of current and non-current items

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

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

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

- (1) Liabilities that are expected to be settled within the normal operating cycle.
- (2) Liabilities arising mainly from trading activities.
- (3) Liabilities that are to be settled within twelve months from the reporting period.
- (4) At the end of the reporting period, there is no right to defer the settlement of the liability for at least twelve months after the reporting period.

5. Cash and cash equivalents

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Cash and cash equivalents are cash on hand, demand deposits, and short-term and highly liquid time deposits or investments that are readily convertible into fixed cash amount and have a very low risk of changes in value.

6. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the financial instrument contract.

Financial assets and financial liabilities subject to the provisions of IFRS 9 “Financial Instruments” at the time of original recognition, were measured at fair value. The acquisition or issuance transaction costs that are directly attributable to the financial assets and financial liabilities (except for financial assets and financial liabilities that are classified as measured at fair value through profit or loss) are added or subtracted from the fair value of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

The recognition and derecognition of all the financial assets of the Group are handled with the trade date accounting.

The Group uses the following two items to have financial assets classified as subsequently measured at amortized cost, measured at fair value through other comprehensive income, or measured at fair value through profit or loss:

- A. Operating model of financial assets management
- B. Contractual cash flow characteristics of financial assets

Financial assets measured at cost after amortization

Financial assets that meet the following two criteria are to be measured at amortized cost and booked in the balance sheet in terms of notes receivable, accounts receivable, financial assets measured at amortized cost, and other receivables:

- A. Operating model of financial assets management: financial asset is held to receive contractual cash flows
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

interest method) and adjusted for any provision for bad debts]. For derecognition, the benefits or losses are recognized in profit or loss through amortization procedures or recognition of impairment profit or loss.

Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:

- A. For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
- B. Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the amortized cost of the financial assets.

Financial assets measured at FVOCI

Financial assets that meet the following two criteria are to be measured at fair value through other comprehensive income, and the financial assets measured at fair value through other comprehensive income are to be listed in the balance sheet:

- A. Operating model of financial assets management: Collect contractual cash flows and sell financial assets.
- B. Contractual cash flow characteristics from the financial assets: cash flow is the interest paid solely on the principal and the outstanding principal.

The recognition of the profit or loss related to such financial assets is as follows:

- A. Before derecognition or reclassification, except for the impairment profit or loss and foreign currency exchange gains and losses recognized in profit or loss, the profit or loss is recognized in other comprehensive income.
- B. At the time of derecognition, the cumulative profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment.
- C. Interest that is calculated with the effective interest method (having the effective interest rate multiplied by the total book value of financial assets) or the following conditions is recognized in profit or loss:
 - (a) For a credit impairment financial asset purchased or originated, have the effective interest rate after credit adjustment multiplied by the amortized cost of financial assets.
 - (b) Other than those stated in the preceding paragraph, but which subsequently become credit impaired, have the effective interest rate multiplied by the

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

amortized cost of financial assets.

In addition, for equity instruments applicable to IFRS 9 and are not held as available-for-sale or applicable as a contingent consideration by the acquirer in business consolidation in IFRS 3, during initial recognition, the Company will choose (this is not reversible) to state its subsequent fair value changes in the other comprehensive income (loss). Amounts stated in other comprehensive income cannot be converted to income or loss (during disposal of such equity instrument, the accumulated amount stated in other equity item will be directly transferred to retained earnings), and will be stated in the Balance Sheet as financial assets measured at fair value through other comprehensive income (loss). Investment dividends will be recognized in income or loss, unless such dividends clearly represent a portion of the investment cost.

Financial assets measured at FVTPL

In addition to the aforementioned measurement at cost after amortization for having met certain conditions or measurement at fair value through other comprehensive income (loss), financial assets are all measured at fair value through income or loss, and are stated in the balance sheet as financial assets at fair value through profit or loss.

These financial assets are measured at fair value, and any gain or loss from their revaluation will be recognized as profit or loss. The gain or loss recognized as profit or loss includes any dividend or interest received from the financial asset.

(2) Impairments of financial assets

The Group recognizes and measures the provision for bad debts for Investments in debt instruments designated at fair value through other comprehensive income and Financial assets at amortized cost based on the expected credit loss. For the debt instrument investment measured at fair value through other comprehensive income, allowance for loss is recognized in the other comprehensive income (loss), and the book value of the investment will not be reduced.

The Group measures expected credit losses to reflect the following:

- A. An amount that is unbiased and weighted by probability through evaluating each possible outcome
- B. Time value of money
- C. Reasonable and corroborative information (that can be obtained on the balance sheet date without excessive costs or inputs) relating to past events, current conditions, and future economic forecasts

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

The methods used for measuring allowance for loss are as follows:

- A. It is measured by the 12-month expected credit loss amount: Including the credit risk that has not increased significantly since the original recognition of the financial assets, or it is determined as low credit risk on the balance sheet date. In addition, this also includes those with allowance loss measured by the expected credit loss during the previous reporting period, but no longer meets the condition in which the credit risk has significant increased since the original recognition on the balance sheet date.
- B. The expected credit loss amount for the duration: Including the significant increase in credit risk of the financial assets since the original recognition, or the financial assets with credit impairment purchased or originated.
- C. For accounts receivable and contractual assets that arise from the transactions defined in IFRS 15, the Group measures loss provisions at expected credit loss over the remaining duration.
- D. For the rent receivables arising from the transactions as stipulated in IFRS 16, the Group uses the expected credit losses for the duration of the period to measure the allowance for losses.

On each balance sheet date, the Group assesses whether the credit risk of financial instruments after the original recognition has increased significantly by comparing the changes in the default risk of the financial instruments on the balance sheet date and the original recognition date. Refer to Note (12) for credit risk-related information.

(3) Derecognition of financial assets

The Group's financial assets will be derecognized when one of the following conditions occurs:

- A. The contractual right from the cash flow of the financial asset is terminated.
- B. When nearly all risk and compensations associated with ownership of a financial asset has been transferred.
- C. Nearly all risk and compensations associated with ownership of an asset has neither been transferred nor retained, but the control of the asset has been transferred.

When a financial asset is derecognized in its entirety, the difference between its carrying amount and any cumulative gain or loss that has been received or is receivable and recognized in other comprehensive income (loss), will be recognized in profit or loss.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

(4) Financial liabilities and equity instruments

Classification of liability or equity

The Group classifies the liabilities and equities instrument issued as financial liability or equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

Equity instruments refer to any contract with residual interest after subtracting all liabilities from assets. Equity instruments issued by the Group are recognized by the acquisition cost minus direct distribution costs.

Financial liabilities

Financial liabilities subject to the provisions of IFRS 9 are classified, at the original recognition, as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities measured at FVTPL

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.

A financial asset will be classified as available-for-sale when it meets one of the following conditions:

- A. The primary purpose for acquisition of the asset is short-term sales;
- B. It is part of an identifiable financial instrument combination of the consolidated management at the time of initial recognition, and there is evidence that the combination is a short-term profit operating model in the near future; or
- C. It is a derivative (except for financial guarantee contract or a designated and effective hedging instrument).

For contracts that include one or multiple embedded derivative instruments, the entire hybrid (integrated) contract could be designated as a financial instrument at fair value through profit or loss. In addition, when it meets one the following conditions and can provide more relevant information, it could be designated as at fair value through profit or loss during initial recognition:

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

- A. The designation can eliminate or significantly reduce the inconsistency of measurement or recognition; or
- B. The performance of a group of financial liabilities or a group of financial assets and financial liabilities is managed and assessed on a fair value basis according to the written risk management or investment strategies; also, the portfolio information provided to the management within the consolidated company is also based on the fair value.

The benefits or losses arising from the re-measurement of such financial liabilities are recognized in profit or loss. The gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Financial liabilities measured at the 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.

Calculation of the amortized cost will take discount or premium during acquisition and transaction cost into consideration.

Derecognition of financial liabilities

When the obligation of a financial liability is terminated, canceled or no longer effective, the financial liability will be derecognized.

When the Group and the creditors exchange debt instruments with significant differences, or make major changes to all or part of the existing financial liabilities (whether due to financial difficulties or otherwise), treatment will include derecognition of the original liabilities and the recognition of new liabilities. During derecognition of financial liabilities, the difference between the carrying amount and the total amount of the consideration paid or payable, including the transferred non-cash assets or liabilities assumed, is recognized in profit or loss.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can only be offset and presented in net terms on the balance sheet only when the recognized amounts currently contain exercise of legal rights for offset and are intended to be settled on a net basis or can be realized simultaneously and the debt can be settled.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial
Statements (Continued)

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

7. Fair value measurement

Fair value refers to the price required or transferred to an asset in an orderly transaction between market participants on a measurement date. Fair value measurement assumes that the transaction for the asset being sold or liability being transferred takes place in one of the following markets:

- (1) Principal market of the asset or liability, or
- (2) If no principal market exists, the most favorable market for the asset or liability

The Group needs to be able to enter the principal or most favorable market in order to carry out the transaction.

Fair value measurement of the asset or liability uses the assumption that market participants would adopt while pricing the asset or liability, where the assumption is that the market participants would take the most favorable economic conditions into consideration.

The fair value measurement of a non-financial asset takes into consideration the market participant's use of the asset for its highest price and best use or by selling the asset to another market participant who will use the asset for its highest price and best use to generate economic benefits.

The Group uses valuation techniques that are appropriate and relevant in the relevant circumstances to measure fair value and maximize the use of observable inputs and to minimize the use of unobservable inputs.

8. INVENTORIES

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

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

Raw materials using the weighted average method for its actual purchase cost.

Finished goods, commodities, and semi-finished products - include direct raw materials, labor and fixed manufacturing costs allocated based on normal capacity, but not include borrowing costs.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Net realizable value refers to the estimated selling price in the ordinary course of business, less the costs still to be incurred to complete and selling expenses.

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

9. Investments accounted for using equity method

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

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

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

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

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognized at acquisition cost, less accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing and restoring the site of the property, plant and equipment, and the necessary interest expense generated by the under construction. Each part of an item of equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. When significant components of property, plant and equipment need to be periodically replaced, the Group regards these components as individual assets and recognizes them separately with specific useful life and depreciation methods. The book value of these replaced parts is derecognized in accordance with the provision of IAS 16 "Property, Plant, and Equipment." If the major repair and maintenance costs are in compliance with the recognition conditions, they are recognized as replacement costs

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

and are recognized as part of the plant and equipment book value. Other repair and maintenance expenses are recognized in profit or loss.

Depreciation is calculated and appropriated in accordance with the straight-line method and the estimated useful life of the following assets:

Buildings and structures	3 to 50 years
Machinery and equipment	3 to 20 years
Transport equipment	1 to 12 years
Office equipment	3 to 8 years
Other equipment	3 to 48 years

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

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

11. Leases

The Group evaluates whether the contract as a lease on the contract establishment date. If a contract is signed to have the control over the use of identified assets transferred for a period of time in exchange for a consideration, it is (or includes) a lease. In order to assess whether a contract is signed to have the control over the use of identified assets transferred for a period of time, the Group assesses whether there are the following two factors throughout the period of use:

- (1) The user is able to obtain virtually all economic benefits and entitlements from using the identified asset; and
- (2) The user has the right to determine how identified asset is used.

For contracts that are (or include) leases, the Group will treat each lease component in the contract individually, and to separately treat them from the non-lease components in the contracts. For leases that include one lease component and one or more additional lease or non-lease components, the Group will use the single comparison price of each lease component and the aggregated single prices of non- lease components as the basis, and distribute the consideration in the contract to the lease component. The comparison single unit price of the lease and non-lease components will be decided upon the prices separately received by the lessor (or supplier) for such components. If observable single unit prices are not readily available, the Group will maximize the use of observable information to estimate their respective single unit prices.

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

The Group is the lessee

Except for leases that meet and select short-term leases or low-value asset leases, when the Group is the lessee of the lease contract, the right-of-use assets and lease liabilities are recognized for all leases.

On the commencement date, the Group measures the lease liability according to the present value of the lease payments that have yet to be paid on that date. If the lease implied interest rate is easy to determine, the lease payment is discounted according to the said implied interest rate. If the lease implied interest rate is not easy to determine, the incremental loan rate of the lessee shall prevail. On the commencement date, the lease payments included in the lease liability include the following payments relating to the use-of-rights underlying asset in the lease term that is yet to be paid on that date:

- (1) Fixed payments (including real fixed payments) net of any collectable lease incentives;
- (2) Lease payments depending on the change in an index or expense rate (measured at the index or expense rate on the commencement date);
- (3) The lessee's expected payment amount with the residual value guaranteed;
- (4) The exercise price of the purchase option, if the Group can reasonably assure that the option will be exercised; and
- (5) Penalties that have to be paid upon termination of lease, if the lease tenor reflects the lessee's intent to exercise the termination option.

After the commencement date, the Group measures the lease liability at the amortized cost, increases the book value of the lease liability by the effective interest method, and reflects the interest on the lease liability. The book value of the lease liability is reduced when the lease payment is made.

On the commencement date, the Group measures the right-of-use assets at cost. The cost of the right-of-use assets includes:

- (1) Initial measured amount of lease liability;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any original direct costs incurred to the lessee; and
- (4) The lessee estimates cost of dismantling, removing and restoring to its original location, or to the condition required by the terms and conditions of the lease.

Subsequent measurement of the right-of-use asset is presented at cost net of the accumulated depreciation and accumulated impairment losses, that is, the right-of-use

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

asset should be measured at cost.

If the ownership of the underlying assets is transferred to the Group at the end of the lease term, or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the depreciation of the right-of-use asset is appropriated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group has the depreciation of the right-of-use asset appropriated from the commencement date to the end of the useful life of the right-of-use asset or the expiration of the lease term whichever is sooner.

The Group applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is with impairment; also, handle the identified impairment losses.

Except for leases that meet and select short-term leases or low-value asset leases, the Group presents the right-of-use assets and lease liabilities on the balance sheet, and presents the depreciation expense and interest expense related to the lease separately in the comprehensive income statement.

For short-term leases and low-value asset leases, the Group chooses to have the related lease payments recognized as expenses over the lease period in accordance with the straight-line basis or a systematic basis.

The Group as lessor.

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

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

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

12. INTANGIBLE ASSETS

Intangible assets acquired separately are initially measured at cost upon original recognition. The cost of intangible assets acquired through business combinations is the

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

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

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

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

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

13. Impairment of non-financial assets

At the end of every reporting period, the Group will evaluate all assets for indicators of impairment pursuant to IAS 36 "Impairment of Assets". If signs of impairment exist or if regular annual impairment test is required for a certain asset, the Group will test it on the basis of individual assets or the cash generating unit to which the asset belongs. If result of the impairment test indicates that the carrying amount of the asset or the cash generating unit to which the asset belongs is greater than its recoverable amount, impairment loss will be recognized. The recoverable amount is the higher of the net fair value or the value-in-

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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use.

At the end of every reporting period, the Group will evaluate all assets except for goodwill for indicators of whether previously recognized impairment loss no longer exists or has been reduced. If such signs exist, the Group will estimate the recoverable amount of the asset or the cash generating unit. If the estimated service potential of the asset changes, resulting in an increase in the recoverable amount, the impairment will be reversed to profit or loss. However, the carrying amount after reversal shall not exceed the amount of the depreciation or amortization of the asset after deducting the depreciation or amortization.

Impairment loss and reversal of continuing operations will be recognized in profit or loss.

14. Recognition of revenue

(1) Customer Contract Revenue

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

Sales of Goods

The Group manufactures and sells goods, recognizing revenue when the committed goods are delivered to the customer and the customer gains control (i.e., the customer dominates the use and obtains the ability of almost all remaining benefits of the goods), mainly chemicals being sold, with revenue recognized based on the price stated in the contract.

The credit period for the Group's sales transactions is typically between 30 - 90 days. Most contracts recognize accounts receivable when the control of goods is transferred and the right to receive consideration unconditionally is obtained. These accounts receivable are typically short-term and do not have significant financial composition. The provision for bad debts is measured based on the expected credit loss over the life of the asset under IFRS 9.

Rendering of services

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

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obligation is fulfilled, and the wastewater is discharged in compliance with the standards.

(2) Contract Costs Related Assets

Contract Fulfillment Costs

Costs incurred to fulfill a customer contract, if not within the scope of other standards (such as IAS 2 “Inventories,” IAS 16 “Property, Plant, and Equipment,” or IAS 38 “Intangible Assets”), are recognized as assets by the Group only when the costs are directly related to the contract or identifiable expected contracts, generate or enhance resources that will be used to fulfill (or continue to fulfill) performance obligations, and are expected to be recoverable.

General and administrative costs, costs of wasted materials, labor, or other resources used to fulfill the contract but not reflected in the contract price, costs related to performance obligations that have been (or partially been) satisfied, and costs that cannot be distinguished as related to unsatisfied performance obligations or those that have been (or partially been) satisfied, are recognized as expenses when incurred.

15. Borrowing costs

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

16. Retirement benefits plan

The retirement method for employees of the Company and domestic subsidiaries is applicable to all full-time employees. The employee retirement fund is fully appropriated to the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited in the pension fund account. The aforementioned pension is deposited in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve, which is completely separated from the Company and domestic subsidiaries, so it is not included in the consolidated financial statements in the preceding paragraph.

For the defined contribution pension plan, the monthly pension payable rate of the Company and domestic subsidiaries shall not be less than 6% of the employee's monthly salary, and the amount of the provision shall be recognized in the profit or loss of the

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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current period.

17. Share-based payment transaction

The share-based payment transaction cost for equity clearing between the Group and its employees is measured at the fair value on the vesting date of the equity instruments. Fair value is measured by the appropriate pricing model.

The “share-based payment” transaction cost for the equity clearing is recognized on a period-by-period basis during the period in which the service conditions and performance conditions are fulfilled, and the increase in equity is recognized. The cumulative fees recognized for equity clearing transactions at the end of each reporting period prior to the vesting date reflect the process of the vested period and the best estimate of the ultimate vested equity instruments by the Group. The cumulative cost changes recognized for the share-based payment transactions at the beginning and end of each reporting period are recognized in profit or loss for the period.

If the share-based payment is not in compliance with the vested conditions, no expense will be recognized. However, if the vested conditions of the equity clearing transaction are related to the market price condition or the non-vested conditions, when all the service or performance conditions have been fulfilled, the relevant expenses will be recognized regardless of whether the market price condition or the non-vested condition is fulfilled.

When modifying the terms of an equity-settled transaction, at least the original grant-date cost before the modification will be recognized. If the modification of the terms of a share-based payment transaction increases the total fair value of the transaction or is beneficial to the employee, additional equity-settled transaction costs will be recognized.

If an equity-settled share-based payment reward plan is canceled, it is considered fully vested on the cancellation date, and any unrecognized remaining share-based payment expenses will be immediately recognized. This includes awards where non-vesting conditions, which are controllable by the company or employee, have not been met. If a previously canceled reward is replaced by a new reward plan and is confirmed on the grant date to replace the canceled reward plan, the cancellation and the new reward plan will be treated as a modification of the original reward plan.

18. Income tax

Income tax expense (profit) refers to the aggregated amount of current income tax and deferred income tax that is included in the current profit or loss.

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

Current income tax

The current income tax liabilities (assets) related to the current and prior periods are measured at the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The current income tax related to the items recognized in other comprehensive income or directly recognized in the equity is recognized in other comprehensive income or equity instead of being recognized in the profit or loss.

The additional business income tax levied on the undistributed earnings is recognized as income tax expense on the date when the distribution of earnings is resolved in the Shareholders' Meeting.

Deferred income tax

The deferred income tax is calculated according to the temporary difference between the taxable amount of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

All taxable temporary differences are recognized as deferred income tax liabilities except for the following two items:

- (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 items, deductible temporary difference and deferred income tax assets arising from the taxable losses and income tax credit are recognized within the range of probable future taxable income:

- (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.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Deferred income tax assets and liabilities are measured at the tax rate of the expected asset realization or in the period in which the liability is settled. The tax rate is based on the legislated or substantially legislated tax rates and tax laws at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the manner in which the asset is expected to be recovered or the book value of the liability is settled at the end of the reporting period. If the deferred income tax is related to items that are not included in the profit or loss, it will not be recognized in profit or loss, but recognized in other comprehensive income according to the relevant transactions or directly recognized in equity. Deferred income tax assets are re-examined and recognized at the end of each reporting period.

Deferred income tax assets and liabilities can be offset against each other legally only in the current period, and the deferred income tax is related to the same taxation entity and is related to the income tax levied by the same taxation authority.

According to the provisions of temporary exception stated in the “International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12)”, deferred tax assets and liabilities related to Pillar Two income taxes shall not be recognized, and relevant information shall not be disclosed.

V. Main Source of Significant Accounting Judgment, Estimation, and Assumption Uncertainties

When the consolidated financial statements are prepared by the Group, the management must make judgments, estimates, and assumptions at the end of the reporting period, which will affect the disclosure of income, expenses, assets and liabilities, and contingent liabilities. However, the uncertainty of these significant assumptions and estimates may result in a significant adjustment to the book value of an asset or liability in the future period.

Estimation and assumption

The main source of information on the estimation and assumption uncertainties at the end of the reporting period has significant risks that result in significant adjustments to the book value of assets and liabilities in the next financial year. The explanations are given as follows:

(1) Fair value of financial instruments

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

(2) Income tax

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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The uncertainty of income tax exists in the interpretation of complex tax regulations and the amount and timing of future taxable income. Due to a wide range of international business relationships and the long-term and complexity of contracts, the differences between actual results and assumptions made, or changes in such assumptions in the future, may cause the booked income tax benefits and expenses to be adjusted 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 appropriated is based on different factors, such as: previous tax audit experience and the difference in tax law interpretation between the tax entity and the tax authority. 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 amount of the deferred income tax assets to be recognized is estimated according to the possible timing and level of the future taxable income and taxable temporary difference, and also, the future tax planning strategy.

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

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

VI. Descriptions of Material Accounting Items

1. Cash and cash equivalents

	2025.12.31	2024.12.31
Cash on hand	\$220	\$220
Bank deposits	298,342	206,931
Total	<u>\$298,562</u>	<u>\$207,151</u>

2. Financial assets measured at FVTPL

	2025.12.31	2024.12.31
Mandatory fair value through profit or loss - current:		
TWSE/TPEX-listed Stock	<u>\$38,643</u>	<u>\$42,471</u>

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The Group's financial assets measured at fair value through profit or loss do not have any collateral provided.

3. Current financial assets at amortized cost

	2025.12.31	2024.12.31
Time deposits	\$8,000	\$25,000

The Group classifies some of the Financial Assets as Financial assets at amortized cost. For the provision of guarantees, please refer to Note (8). For information related to Credit risk, Refer to Note (12).

4. Bills receivable

	2025.12.31	2024.12.31
Bills receivable - due to operations	\$26,504	\$28,284
Less: loss allowance	(-)	(-)
Total	\$26,504	\$28,284

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

The Group evaluates impairments in accordance with IFRS 9, and for related information on provision for bad debts, Refer to Note (6).18. For information related to Credit risk, Refer to Note (12).

5. Accounts receivable and Accounts receivable - related parties

	2025.12.31	2024.12.31
Accounts Receivable	\$78,708	\$95,364
Less: loss allowance	(745)	(745)
Subtotal	77,963	94,619
Accounts receivable - related parties	287	3,313
Less: loss allowance	(-)	(-)
Subtotal	287	3,313
Total	\$78,250	\$97,932

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

The credit period for the Group's customers is usually 30 to 90 days. The carrying amounts as at December 31, 2025 and 2024 were NT\$78,995 thousand and NT\$98,677 thousand respectively. For information related to the provision for bad debts of year 2025 and 2024, refer to Note (6).18. For credit risk related information, refer to Note (12).

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6. INVENTORIES

	2025.12.31	2024.12.31
Raw materials	\$3,018	\$2,682
Semi-finished goods	25	54
Finished goods	153	50
Commodity	332	341
Total	<u>\$3,528</u>	<u>\$3,127</u>

The operating costs recognized as expenses by the Group for the year ended December 2025 and year 2024 were NT\$327,985 thousand and NT\$342,018 thousand, respectively, including the recognition of loss for market price decline and slow-moving inventories of NT\$70 thousand and NT\$(462) thousand, respectively. Due to the impact of market price fluctuations on raw material prices, there was an inventory valuation loss (reversal of write-down of inventories).

The aforementioned inventory were not pledged as collateral.

7. Investments accounted for using equity method

The details of the Group's investments accounted for using the equity method are as follows:

Investee Company	2025.12.31		2024.12.31	
	Amount	Ownership Percentage	Amount	Ownership Percentage
Investment in Associates:				
Greenstone Applied Materials Co., Ltd.	<u>\$2,083</u>	20.00%	<u>\$-</u>	-

The investment of the Group in Greenstone Applied Materials Co., Ltd. is not significant to the Group. The total carrying amounts of the Group's investment in Greenstone Applied Materials Co., Ltd. as at December 31, 2025 and 2024 were NT\$2,083 thousand and NT\$0 thousand, respectively. The aggregated financial information is presented below based on the share of interest:

	2025	2024
Net profit (loss) for the period of continuing operations	(\$117)	\$-
Other comprehensive income, net of income tax	-	-
Total comprehensive income (loss)	<u>(\$117)</u>	<u>\$-</u>

The aforementioned investments in Associates as of December 31, 2025 and 2024 had no contingent liabilities or capital commitments, nor were there any pledges.

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8. PROPERTY, PLANT AND EQUIPMENT

	2025.12.31						2024.12.31
Property, plant and equipment for own use	\$826,894						\$845,468
	Land	Buildings and structures	Machinery and equipment	Transport equipment	Office equipment	Other equipment	Total
Cost:							
2024.1.1	\$398,057	\$282,684	\$316,459	\$77,408	\$4,888	\$53,873	\$1,133,369
Addition	-	639	1,785	440	1,023	5,202	9,089
Disposal	-	-	(300)	-	-	(2,833)	(3,133)
Other changes	-	-	2,852	-	-	1,880	4,732
2024.12.31	398,057	283,323	320,796	77,848	5,911	58,122	1,144,057
Addition	-	-	3,003	10,606	1,025	5,308	19,942
Disposal	-	(2,216)	(5,433)	(7,632)	(1,049)	(2,024)	(18,354)
Other changes	-	-	7,629	400	-	187	8,216
2025.12.31	<u>\$398,057</u>	<u>\$281,107</u>	<u>\$325,995</u>	<u>\$81,222</u>	<u>\$5,887</u>	<u>\$61,593</u>	<u>\$1,153,861</u>
Depreciation & impairment:							
2024.1.1	\$-	\$47,034	\$128,785	\$52,811	\$2,762	\$21,497	\$252,889
Depreciation	-	8,994	24,804	8,180	831	5,791	48,600
Disposal	-	-	(67)	-	-	(2,833)	(2,900)
Other changes	-	-	-	-	-	-	-
2024.12.31	-	56,028	153,522	60,991	3,593	24,455	298,589
Depreciation	-	8,298	24,285	6,663	974	6,313	46,533
Disposal	-	(2,216)	(5,433)	(7,432)	(1,050)	(2,024)	(18,155)
Other changes	-	-	-	-	-	-	-
2025.12.31	<u>\$-</u>	<u>\$62,110</u>	<u>\$172,374</u>	<u>\$60,222</u>	<u>\$3,517</u>	<u>\$28,744</u>	<u>\$326,967</u>
Net book value:							
2025.12.31	<u>\$398,057</u>	<u>\$218,997</u>	<u>\$153,621</u>	<u>\$21,000</u>	<u>\$2,370</u>	<u>\$32,849</u>	<u>\$826,894</u>
2024.12.31	<u>\$398,057</u>	<u>\$227,295</u>	<u>\$167,274</u>	<u>\$16,857</u>	<u>\$2,318</u>	<u>\$33,667</u>	<u>\$845,468</u>

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

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9. Other noncurrent assets

	2025.12.31	2024.12.31
Prepayments for equipment	\$12,292	\$12,222
Refundable deposits	20,755	22,436
Total	<u>\$33,047</u>	<u>\$34,658</u>

10. Short-term loans

	2025.12.31	2024.12.31
Unsecured Bank Loans	<u>\$10,000</u>	<u>\$88,000</u>

The short-term borrowing rates of the Group as of December 31, 2025 and 2024 were 2.336% and 2.206% to 2.308%, respectively.

As of December 31, 2025 and 2024, the Group had unused short-term borrowings amounting to NT\$210,000 thousand and NT\$157,000 thousand, respectively.

11. Financial liabilities measured at FVTPL

	2025.12.31	2024.12.31
Held for trading - current:		
Derivatives not designated as Nature of Relationships		
Conversion options	<u>\$2,415</u>	<u>\$-</u>

12. Bonds payable

	2025.12.31	2024.12.31
Bonds payable – Domestic secured convertible bonds.	\$330,797	\$-
Less: due within one year portion	-	-
Net	<u>\$330,797</u>	<u>\$-</u>

Bonds payable – Domestic secured convertible bonds.

	2025.12.31	2024.12.31
Liability elements:		
Face value of bonds payable – Domestic secured convertible bonds.	\$350,000	\$-
Discount on bonds payable – Domestic secured convertible bonds.	(19,203)	-

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Subtotal	330,797	-
Less: due within one year portion	-	-
Net	\$330,797	\$-
Embedded derivative financial instruments	\$2,415	\$-
Equity element	\$18,941	\$-

On May 8, 2025, the Company issued domestic secured convertible bonds with a coupon rate of 0%. Upon analysis of the contractual terms, the convertible bonds consist of the following components: the principal debt, embedded derivative financial instruments (issuer call option and holder put option), and an equity element (holder's option to convert into the issuer's ordinary shares). The main issuance terms are as follows:

Total Amount: NT\$350,000 (In Thousands of New Taiwan Dollars)

Issuance Period: May 8, 2025 to May 8, 2028

Important redemption terms:

- A. From the day following three months after the issuance date (August 9, 2025) and up to forty days before the end of the Issuance Period (March 29, 2028), if the closing price of the Company's Ordinary Shares exceeds the conversion price of the convertible bonds by 30% or more for thirty consecutive trading days, the Company may, within the following thirty trading days, notify to redeem in cash the outstanding convertible bonds at face value.
- B. From the day following the completion of three months after the issuance date (August 9, 2025) and up to forty days before the Maturity Date (March 29, 2028), if the outstanding amount of the Company bonds falls below 10% of the original Total Amount, the Company may redeem all the Company bonds at the early redemption price.
- C. Bondholders may request the Company to redeem all or part of the corporate bonds at 101.0025% of the face value on May 8, 2027.

Conversion method:

- A. Conversion target: The Company's Ordinary Shares.
- B. Conversion period: Bondholders may request to convert into the Company's Ordinary Shares in lieu of cash payment from August 9, 2025, to May 8, 2028.
- C. Conversion Price and Adjustments: The conversion price was set at NT\$55.00 per share at the time of issuance. If events triggering an adjustment to the conversion price as specified in the issuance terms occur with respect to the Company's Ordinary Shares, the conversion price will be adjusted according to the formula stipulated in

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

the issuance terms. The conversion price on December 31, 2025, is NT\$51.66 per share. On December 31, 2024, there is no conversion price because no convertible bonds were issued.

- D. Redemption at Maturity: If the corporate bonds are not yet settled at maturity, they will be redeemed at face value.

Furthermore, the Corporate bonds had not been converted as of December 31, 2025 and 2024.

13. Long-term borrowings

The details of long-term borrowings as December 31, 2025 and 2024 are as follows:

Creditor	2025.12.31	Repayment Period and Method
Chang Hwa Bank - Luchu Branch	\$28,167	From July 8, 2025 to September 17, 2030, repayment is made on a monthly basis, with interest paid monthly.
Subtotal	28,167	
Less: due within one year	(6,000)	
Net	<u>\$22,167</u>	

Creditor	2024.12.31	Repayment Period and Method
Chang Hwa Bank - Luchu Branch	\$239,891	From April 23, 2020 to April 23, 2035, repayment is made on a monthly basis, with interest paid monthly.
Taiwan Cooperative Bank - North Kaohsiung Branch	14,986	
Subtotal	254,877	From June 30, 2014 to June 30, 2026, repayment is made on a monthly basis, with interest paid monthly.
Less: due within one year	(45,209)	
Net	<u>\$209,668</u>	

The interest rates of the Group's long-term borrowings were 2.22% and 2.20% to 2.30% as of December 31, 2025 and 2024, respectively.

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

14. Retirement benefits plan

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial
Statements (Continued)

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

Defined contribution pension plan

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

The expenses recognized by the Group under the Defined Contribution plans for the years ended December 31, 2025 and 2024 were NT\$3,507 thousand and NT\$3,344 thousand, respectively.

15. Equity

(1) Common stock

As of December 31, 2025 and 2024, the authorized share capital of the Company was NT\$700,000 thousand, with a paid-up share capital of NT\$311,795 thousand. These amounts represent 31,180 thousand shares, each with a face value of NT\$10. Each share carries one voting right and the right to receive dividends.

On March 12, 2024, the Company's Board of Directors resolved to conduct a cash capital increase before the initial public offering, issuing 2,000 thousand common shares. In accordance with Article 267 of the Company Act, 15% of the new shares, totaling 300 thousand shares, are reserved for employee subscription. The remaining 1,700 thousand shares were approved by the Company's shareholders at the extraordinary general meeting held on November 3, 2023, where existing shareholders waived their preemptive rights, and all the shares were publicly underwritten before the listing. The aforementioned cash capital increase was approved by the Taiwan Stock Exchange Corporation on April 8, 2024. The Board of Directors has resolved to set May 15, 2024, as the record date for the capital increase. After the increase, the authorized capital will be NT\$700,000 thousand, and the issued capital will be NT\$311,795 thousand, with a par value of NT\$10 per share, divided into 31,180 thousand shares.

(2) Capital surplus

	<u>2025.12.31</u>	<u>2024.12.31</u>
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Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Additional paid-up capital	\$257,997	\$257,997
Difference between consideration and carrying amount of subsidiaries acquired or disposed	2,289	2,289
Expired Employee Stock Options	929	929
Convertible bond warrants	18,941	-
Total	\$280,156	\$261,215

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

According to the Articles of Incorporation of the Company, if there are earnings at the annual final accounts, it should be distributed in the following order:

- A. Payment of all taxes and dues.
- B. Offset operation losses.
- C. Appropriate 10% as Legal reserve.
- D. Other special surplus reserve recognized or reversed in accordance with laws and regulations or supervisory authorities.
- E. The remaining, along with previous years' undistributed earnings, should be proposed by the Board of Directors for profit distribution. When it is to be done through the issuance of new shares, it should be distributed after being resolved by the shareholders' meeting. If it is done in the form of cash disbursement, it is authorized by the Board of Directors with the attendance of more than two-thirds of the directors and the agreement of more than half of the attending directors, and reported to the shareholders' meeting.

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

In accordance with the Company Law, the Legal reserve should be appropriated until

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

its total amount has reached the total capital. The legal reserve can be used to set off 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 2025 and 2024 at the Board of Directors and shareholders' regular meeting on March 6, 2026 and June 25, 2025, respectively, as follows:

	Appropriation of Earnings Proposal		Dividends per share (NTD)	
	2025	2024	2025	2024
Legal reserve	\$11,157	\$11,777	\$-	\$-
Cash dividends on ordinary shares (Note)	\$116,718	\$109,128	\$4.0	\$3.5

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).20 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 6, 2026, approving the cash dividends proposal for the year ended December 2025 of ordinary shares.

(4) Non-controlling interest

	December 31, 2025	2024.12.31
Beginning balance	\$8,336	\$10,084
Net profit (loss) for the period attributable to non-controlling interests	(761)	(1,739)
Acquisition of shares issued by the subsidiary	-	(518)
Failure to subscribe for new shares issued by the subsidiary in proportion to shareholding	1,737	509
Ending balance	<u>\$9,312</u>	<u>\$8,336</u>

16. Share-based Payment Plan

The Group's employees are eligible to receive share-based payments as part of the

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

compensation plan. Employees obtain equity instruments in exchange for providing services. These transactions are classified as equity-settled share-based payment transactions.

Cash Capital Increase with Employee Stock Subscription Reserved

On March 12, 2024, the Board of Directors resolved to conduct a cash capital increase and issue new shares. In accordance with regulations, 15% of the total shares issued through the capital increase were reserved for subscription by eligible employees, with the grant date determined based on the date the number of employee subscriptions is confirmed.

The subscription record date for this plan was set as May 8, 2024. A total of 2,000 thousand common shares were issued in the cash capital increase, with 300 thousand shares reserved for employee subscription. Employees actually subscribed to 241 thousand shares. The new shares from the cash capital increase were issued at NT\$55 per share, and the record date for the capital increase was set as May 15, 2024. Relevant information is as follows:

Type of Agreement	Grant date	Subscription Quantity (in thousands of shares)	Contract Period	Vesting Conditions	Allotment Date to Employees
Cash Capital Increase with Employee Stock Subscription Reserved	2024.5.8	241	-	Immediately Vested	2024.5.15

The fair value information of the employee stock options granted by the Company is as follows:

Type of Agreement	Grant date	Exercise Price	Fair Value per Unit
Cash Capital Increase with Employee Stock Subscription Reserved	2024.5.8	\$55	\$15.75

The Company recognized a compensation cost of NT\$4,725 thousand for the period from January 1 to December 31, 2024, resulting from the employee subscription reserved under the cash capital increase.

17. Revenue

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

	2025	2024
Sales Revenue of Goods	\$54,654	\$52,439
Rendering of Services	563,372	582,562
Total	\$618,026	\$635,001

The information related to Revenue from contracts with customers for the Group in 2025 and 2024 is as follows:

(1) Breakdown of Revenue

		2025				
		Manufacturing and sales of wastewater Treatment Chemicals and Consumables	Wastewater Treatment	Waste Transportation	Others	Total
Sales of goods		\$54,654	\$-	\$-	\$-	\$54,654
Rendering of services	of	-	433,949	48,305	81,118	563,372
		\$54,654	\$433,949	\$48,305	\$81,118	\$618,026
Revenue Recognition:						
at a certain point in time		\$54,654	\$433,949	\$48,305	\$81,118	\$618,026
		2024				
		Manufacturing and sales of wastewater Treatment Chemicals and Consumables	Wastewater Treatment	Waste Transportation	Others	Total
Sales of goods		\$52,439	\$-	\$-	\$-	\$52,439
Rendering of services		-	446,124	56,371	80,067	582,562
		\$52,439	\$446,124	\$56,371	\$80,067	\$635,001
Revenue Recognition:						
at a certain point in time		\$52,439	\$446,124	\$56,371	\$80,067	\$635,001

(2) Assets recognized from the costs of obtaining or fulfilling customer contracts

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

	2025.12.31	2024.12.31
Contract Fulfillment Costs-Current	\$1,225	\$1,426

18. Expected Credit Loss

	2025	2024
Operating Expense - Expected Credit Loss		
Accounts Receivable	\$-	\$-

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

The receivables of the Group (including bills receivable and accounts receivable) are all measured by the expected credit loss during the period. The evaluation of the provision for bad debts as of December 31, 2025 and 2024 are as follows:

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

December 31, 2025

	Not past due	Days past due					Total
		Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	
Total book value	Note \$105,499	\$-	\$-	\$-	\$-	\$-	\$105,499
Loss rate	0.71%~1.00%	-	-	-	-	-	
Expected Credit Loss							
lifetime	(745)	-	-	-	-	-	(745)
Book value	\$104,754	\$-	\$-	\$-	\$-	\$-	\$104,754

2024.12.31

	Not past due	Days past due					Total
		Within 30 days	31 - 60 days	61 - 90 days	91 - 120 days	More than 121 days	
Total book value	Note \$126,961	\$-	\$-	\$-	\$-	\$-	\$126,961
Loss rate	0.59%~1.00%	-	-	-	-	-	
Expected Credit Loss							
lifetime	(745)	-	-	-	-	-	(745)
Book value	\$126,216	\$-	\$-	\$-	\$-	\$-	\$126,216

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Changes in provision for bad debts on bills receivable and accounts receivable of the Group for 2025 and 2024 are as follows:

	Bills receivable	Accounts Receivable
2024.1.1	\$-	\$745
Additional Amount	-	-
Written off bad debts	-	-
2024.12.31	-	745
Additional Amount	-	-
Written off bad debts	-	-
December 31, 2025	\$-	\$745

19. Leases

The Group is a lessee

The Group leases transportation equipment with a lease term of 5 years.

The impacts of the lease on the Group's financial position, financial performance, and cash flow are as follows:

A. Amount recognized on the balance sheet

(a) Right-of-use assets

The book value of the right-of-use assets

	2025	2024
Transport equipment	\$1,169	\$-

The Group added NT\$1,461 thousand and NT\$0 thousand to right-of-use assets for the years ended December 31, 2025 and 2024, respectively.

(b) Lease liabilities

	2025	2024
Lease liabilities	\$1,181	\$-
Current	\$285	\$-
Noncurrent	\$896	\$-

For the interest expense on lease liabilities of the Group for the years ended December 31, 2025 and 2024, please refer to Note (6).21(4) Finance costs; for

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

maturity analysis of lease liabilities as of December 31, 2025 and 2024, please refer to Note (12).5 Liquidity risk management.

B. Amount recognized in the statements of comprehensive income

Depreciation of the right-of-use assets

	2025	2024
Transport equipment	\$292	\$-

C. The lessee and the lease activity related income, expense, and loss

	2025	2024
Short-term lease expense	\$153	\$220
Low-value asset lease expense (excluding the low-value assets lease expense of the short-term leases)	\$199	\$209

D. The lessee and the lease activity related cash outflow

The total cash outflow for leases principal of the Group in 2025 and 2024 were NT\$661 thousand and NT\$429 thousand, respectively.

E. Other information related to leasing activities

Options to extend leases and to terminate leases

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

20. The employee benefits, depreciation, and amortization expenses are summarized by function as follows:

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

By function By nature	2025			2024		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expenses						
Salaries and wages	\$22,680	\$61,562	\$84,242	\$21,481	\$64,727	\$86,208
Labor insurance and national health insurance	\$3,131	\$4,968	\$8,099	\$2,817	\$4,751	\$7,568
Pension expenses	\$1,091	\$2,416	\$3,507	\$999	\$2,345	\$3,344
Directors' remuneration	\$-	\$2,873	\$2,873	\$-	\$2,855	\$2,855
Other employee benefits expenses	\$917	\$1,940	\$2,857	\$946	\$1,817	\$2,763
Depreciation expense	\$27,370	\$19,455	\$46,825	\$30,095	\$18,505	\$48,600
Amortization expenses	\$-	\$-	\$-	\$-	\$-	\$-

At the shareholders' regular meeting on June 25, 2025, The Company approved an amendment to the Articles of Incorporation. As per the amended Articles, if the Company earns a profit for the year, it should allocate not less than 1% as profit sharing bonus to employees and not more than 3% as compensation to directors. An amount not less than one-third of the sum of the aforementioned profit sharing bonus to employees should be allocated as compensation for frontline employees. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Before the amendment, the Company's Articles of Incorporation stipulated that if there is a profit for the year, the Company should allocate not less than 1% as the profit sharing bonus to employees and not more than 3% as compensation to directors. However, when there are accumulated losses, an equivalent amount should be appropriated to make up for losses. The aforementioned remuneration to employees is to be paid in the form of shares or cash. Approval for such benefits should be passed by at least half of the Directors in attendance in a Board meeting attended by no less than two-thirds of all Board members. The results should be reported during Shareholders' Meeting. Please refer to the "Market Observation Post System" of the Taiwan Stock Exchange Corporation for information on employee remuneration and remuneration to directors resolved by the Board of Directors.

For the year ended December 2025, the Company estimates employees' compensation and directors' remuneration at 7% and 1% of its profits, 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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

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 6, 2026 to distribute cash as employees' remuneration and Directors' Remuneration for the year ended December 2025 amounted of NT\$10,575 thousand and NT\$1,511 thousand, respectively, which were recognized as Salaries expenses.

The Company reported NT\$10,995 thousand and NT\$1,571 thousand as expenses for profit sharing bonus to employees and compensation to directors in the financial statements for the year ended December 2024, which didn't significantly differ from the actual payout amounts.

21. Non-operating revenues and expenses

(1) Interest revenue

	2025	2024
Financial assets at amortized costs	<u>\$3,558</u>	<u>\$2,118</u>

(2) Other income

	2025	2024
Rent revenue	\$905	\$709
Dividend income	525	153
Other income	183	52
Total	<u>\$1,613</u>	<u>\$914</u>

(3) Other gains and losses

	2025	2024
Gain (loss) on disposal of property, plant and equipment	\$617	\$7
Net loss from FINANCIAL ASSETS AND LIABILITIES AT FVTPL (Note 1)	(3,828)	(7,025)
Net loss from Financial liabilities at FVTPL (Note 2)	(735)	-
Other expenses	<u>(4,198)</u>	<u>(9)</u>
Total	<u>(\$8,144)</u>	<u>(\$7,027)</u>

Note 1: Financial assets mandatorily measured at FVTPL valuation adjustment.

Note 2: Valuation adjustments arising from financial liabilities held for trading.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

(4) FINANCE COSTS

	2025	2024
Interest on bank loans	\$4,639	\$9,348
Interest on bonds payable	5,291	-
Interest on lease liabilities	29	-
Total	<u>\$9,959</u>	<u>\$9,348</u>

22. Income tax

- (1) The main components of the income tax expenses for the years ended December 31, 2025 and 2024 are as follows:

Income tax recognized in the profit or loss

	2025	2024
Current income tax expenses:		
Income tax payable for the current period	\$38,420	\$39,302
Prior years adjustment in the year	(74)	(174)
Deferred tax expense (income):		
Related to the original temporary differences and its reversal	2	86
Deferred tax expense		
With the initial generation and tax loss offsetting of income tax	(6,097)	(6,682)
Deferred income tax related to its reversal		
Income tax expenses	<u>\$32,251</u>	<u>\$32,532</u>

- (2) The reconciliation of the amount of income tax expense and accounting profit multiplied by the applicable income tax rate is as follows:

	2025	2024
Net income before tax of the continuing business units	<u>\$144,834</u>	<u>\$149,073</u>
Tax amount calculated at the domestic tax rate applicable to the income of the relevant country	\$40,236	\$41,684
Income tax effects of tax-exempt income	(5,338)	(5,213)
Income tax effects of non-deductible expenses on tax returns	3,525	2,831
Income tax effect of deferred income tax assets/liabilities	(6,098)	(6,596)

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

	2025	2024
Prior years adjustment in the year	(74)	(174)
Total income tax expense recognized in profit or loss	\$32,251	\$32,532

(3) Deferred tax assets (liabilities) balance:

2025

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Origination and reversal of temporary differences				
Inventory valuation loss	\$2	(\$2)	\$-	\$-
Unused tax losses	31,201	6,097	-	37,298
Deferred tax expense/(income)		\$6,095	\$-	
Deferred income tax assets/(liabilities), net	\$31,203			\$37,298
Information expressed in the Balance Sheet is as follows:				
Deferred tax assets	\$31,203			\$37,298
Deferred income tax liabilities	\$-			\$-

2024

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Origination and reversal of temporary differences				
Inventory valuation loss	\$88	(\$86)	\$-	\$2
Unused tax losses	24,519	6,682	-	31,201
Deferred tax expense/(income)		\$6,596	\$-	
Deferred income tax assets/(liabilities), net	\$24,607			\$31,203
Information expressed in the Balance Sheet is as follows:				

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

	Beginning balance	Recognized in the profit or loss	Recognized in the other comprehensive income (loss)	Ending balance
Deferred tax assets	<u>\$24,607</u>			<u>\$31,203</u>
Deferred income tax liabilities	<u>\$-</u>			<u>\$-</u>

- (4) The summarized information of the entities within the Group that have not utilized taxable losses is as follows:

Ping Ho Materials Technology Co., Ltd.

Year of Occurrence	Amount of Loss	Unused Balance		The final year in which the tax loss or deduction can be applied.
		December 31, 2025	2024.12.31	
2016	\$42	\$42	\$42	2026
2017	\$5,023	5,023	5,023	2027
2018	\$4,616	4,616	4,616	2028
2019	\$4,588	4,588	4,588	2029
2020	\$15,558	15,558	15,558	2030
2021	\$32,534	32,534	32,534	2031
2022	\$29,632	29,632	29,632	2032
2023	\$30,640	30,640	30,640	2033
2024	\$33,412	33,412	33,412	2034
2025	\$30,488	30,488	-	2035
		<u>\$186,533</u>	<u>\$156,045</u>	

- (5) Income tax declaration and audit

As of December 31, 2025, the status of the Group's income tax return filings was as follows:

	Income tax declaration and audit
Ping Ho Environmental Technology Co., Ltd.	Approved up to the 2023
Ping Ho Materials Technology Co., Ltd.	Approved up to the 2023
Feng Jia Industrial Co., Ltd.	Approved up to the 2023
Ching Jin Industrial Co., Ltd.	Approved up to the 2023
Wan Jing Industrial Co., Ltd.	Approved up to the 2023

23. Earnings per share

The basic earnings per share is calculated by having the net profit attributable to the holder

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

of the common stock shares of the parent company divided by the weighted average number of common stock shares outstanding in the current period.

The calculation of the Diluted earnings per share is based on the net profit attributable to ordinary shareholders of the parent 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.

	2025	2024
(1) <u>Basic Earnings Per Share</u>		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$113,344	\$118,280
Weighted average number of common stock shares (thousand shares) of the earnings per share	31,180	30,442
Base earnings per share (NTD)	\$3.64	\$3.89
(2) <u>Diluted earnings per share</u>		
Net income attributable to the holders of common stock of the parent company (NTD thousands)	\$113,344	\$118,280
Convertible bonds (thousands NT\$)	4,820	-
Net profit attributable to ordinary shareholders of the parent (thousands NT\$) after adjustment for dilution effects	\$118,164	\$118,280
Weighted average number of common stock shares (thousand shares) of the earnings per share	31,180	30,442
Dilution effect:		
Employee Compensation - Shares (thousands NT\$)	264	227
Convertible bonds (In Thousands)	4,355	-
Weighted average number of common stock shares after adjusting the dilutive effect (thousand shares)	35,799	30,669
Diluted earnings per share (NTD)	\$3.30	\$3.86

There was no other transaction performed to cause significant changes to the outstanding common stock shares or the potential common stock shares after the reporting period and before the release of the financial statements.

24. Changes in ownership interests in subsidiaries

Acquisition of shares issued by the subsidiary

On August 7, 2024, the Group further acquired 0.42% of the voting shares of Ping Ho Materials Technology Co., Ltd., increasing its ownership to 93.08%. Since this change in

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

equity does not affect the Group's control over the subsidiary, it is considered an equity transaction. The cash consideration paid to the non-controlling interest shareholders was NT\$530 thousand. The book value of the net assets of Ping Ho Materials Technology Co., Ltd. (originally acquired and excluding goodwill) was NT\$518 thousand. The adjustment to the relevant equity from the additional acquisition of Ping Ho Materials Technology Co., Ltd. includes the following reduction in non-controlling interest:

	<u>2024.1.1~2024.12.31</u>
Cash consideration paid by the Group to non-controlling shareholders	\$530
Reduction in non-controlling interest	<u>(518)</u>
Difference recognized in capital surplus under equity	<u>\$12</u>

Failure to subscribe for new shares issued by the subsidiary in proportion to shareholding

Ping Ho Materials Technology Co., Ltd. resolved to carry out a capital increase and issued new shares, all of which were subscribed to by the Company. As a result, the Company's ownership increased to 94.81%. The additional equity in Ping Ho Materials Technology Co., Ltd. includes the following changes in non-controlling interest:

	<u>2024.1.1~2024.12.31</u>
Cash received by the Group from the capital increase	\$-
Increase in non-controlling interests	<u>509</u>
Difference recognized in retained earnings under equity	<u>\$509</u>

Ping Ho Materials Technology Co., Ltd. resolved to carry out a capital increase and issued new shares on May 29, 2025, all of which were subscribed to by the Company. As a result, the Company's ownership increased to 98.33%. The additional equity in Ping Ho Materials Technology Co., Ltd. includes the following changes in non-controlling interest:

	<u>2024.1.1~2024.12.31</u>
Cash received by the Group from the capital increase	\$-
Increase in non-controlling interests	<u>1,737</u>
Difference recognized in retained earnings under equity	<u>\$1,737</u>

VII. Related Party Transactions

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Names of related parties and their relationship with the Company

Name	Relationship with the Group
Yung Hong Engineering Co., Ltd.	Substantial related party
Yong Hong Construction Co., Ltd.	Substantial related party
China Fineblanking Tecchnology Co., Ltd.	Substantial related party (Note)
Greenstone Applied Materials Co., Ltd.	Associate
Chairman and other 3 people	Key management of the Company

Note: China Fineblanking Tecchnology Co., Ltd. has not been a substantial related party to the Group since June 5, 2025, so only transactions with the company from January 1, 2025, to June 5, 2025, are presented.

Significant transactions between related parties

1. Sales

Name	2025	2024
Yung Heng Engineering Co., Ltd.	\$938	\$787
He Chin Precision Machinery Co., Ltd.	4,011	12,801
Total	<u>\$4,949</u>	<u>\$13,588</u>

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

2. Cost of services

Name	2025	2024
Yung Heng Engineering Co., Ltd.	<u>\$4,976</u>	<u>\$4,333</u>

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

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

Name	2025.12.31	2024.12.31
<u>Accounts Receivable</u>		
Yung Heng Engineering Co., Ltd.	\$287	\$431
He Chin Precision Machinery Co., Ltd.	-	2,882
Total	<u>\$287</u>	<u>\$3,313</u>

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Name	2025.12.31	2024.12.31
<u>Other receivables</u>		
Yung Herng Engineering Co., Ltd.	\$84	\$84
He Chin Precision Machinery Co., Ltd.	-	261
Total	<u>\$84</u>	<u>\$345</u>

Name	2025.12.31	2024.12.31
<u>Other payables</u>		
Yung Herng Engineering Co., Ltd.	<u>\$1,723</u>	<u>\$2,051</u>

4. Deposits received

Name	2025.12.31	2024.12.31
Greenstone Applied Materials Co., Ltd.	<u>\$240</u>	<u>\$-</u>

5. Rent revenue

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

Name	2025	2024
Yung Herng Engineering Co., Ltd.	\$480	\$480
Greenstone Applied Materials Co., Ltd.	240	-
Total	<u>\$720</u>	<u>\$480</u>

6. Property Transaction Details

Purchase:

2025.1.1~2025.12.31

Counterparty	Name of asset	Amount	Basis of transaction price
Yung Herng Engineering Co., Ltd.	Machinery and equipment	\$726	Negotiated Price
Yung Herng Engineering Co., Ltd.	Other equipment	868	Negotiated Price
Total		<u>\$1,594</u>	

2024.1.1~2024.12.31

Counterparty	Name of asset	Amount	Basis of transaction price
Yung Herng Engineering Co., Ltd.	Machinery and equipment	\$1,554	Negotiated Price

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Yung Herng Engineering Co., Ltd.	Other equipment	5,746	Negotiated Price
Total		<u>\$7,300</u>	

Disposal:

2025.1.1~2025.12.31: No such matter.

2024.1.1~2024.12.31:

Counterparty	Name of asset	Amount	Basis of transaction price
Yung Herng Engineering Co., Ltd.	Machinery and equipment	<u>\$240</u>	Negotiated Price

7. Remuneration of key management personnel of the Group.

	2025	2024
Short-term employee benefits	\$14,488	\$13,744
Retirement benefits	216	214
Total	<u>\$14,704</u>	<u>\$13,958</u>

8. Others

- (1) As of December 31, 2025 and 2024, part of the key management personnel have acted as joint guarantors for the borrowings from financial institutions by the Group.
- (2) The Company has signed a contract with Yung Herng Engineering Co., Ltd. for plant repair and related works. The total contract price is NT\$18,079 thousand (including tax). As of December 31, 2025, the work has been completed and NT\$6,254 thousand has been transferred to Property, plant and equipment - Machinery equipment, other equipment, and other prepaid expenses. In addition, the incomplete work is valued at NT\$11,513 thousand (including tax), with the contract price yet to be billed standing at NT\$7,639 thousand.
- (3) The subsidiary of the Group, Ping Ho Materials Technology Co., Ltd., signed a controller installation contract with Yung Herng Engineering Co., Ltd. The total contract price is NT\$89 thousand (including tax). As of December 31, 2025, the work has been fully completed and reclassified under Property, plant and equipment – Other equipment.
- (4) The subsidiary of the Group, Wan Jing Industrial Co., Ltd., signed a tank repair-related contract with Yung Herng Engineering Co., Ltd. The total contract price is NT\$822 thousand (including tax). As of December 31, 2025, the work has been fully completed and reclassified under Property, plant and equipment – Other equipment.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

- (5) The payments to Yung Herng Engineering Co., Ltd. for maintenance, miscellaneous purchases, and other expenses from January 1 to December 31, 2025 and 2024 were NT\$213 thousand and NT\$393 thousand, respectively, which were recorded under OPERATING EXPENSES and other prepaid expenses.

VIII. Pledged Assets

The Group has the following assets provided as collateral:

	Book value		Guaranteed debt
	2025.12.31	2024.12.31	
Current financial assets at amortized cost	\$8,000	\$-	Bonds payable
PROPERTY, PLANT AND EQUIPMENT	152,793	512,079	Long-term borrowings, bonds payable
Total	<u>\$160,793</u>	<u>\$512,079</u>	

IX. Significant Contingent Liabilities and Unrecognized Contract Commitments

As of December 31, 2025, due to the issuance of convertible bonds, performance guarantees amounting to a total of NT\$357,035 thousand provided by the bank were not included in the aforementioned financial statements.

X. Significant Disaster Loss

No such event.

XI. Significant Subsequent Events

No such event.

XII. Others

1. Categories of financial instruments

Financial assets

	2025.12.31	2024.12.31
Financial assets measured at FVTPL:		
Mandatorily measured at fair value through profit or loss	\$38,643	\$42,471

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Financial assets measured at cost after amortization:		
Cash and cash equivalents (excluding cash on hand)	298,342	206,931
Current financial assets at amortized cost	8,000	25,000
Receivables	126,560	132,671
Refundable deposits	20,755	22,436
Total	<u>\$492,300</u>	<u>\$429,509</u>
Financial liabilities		
	<u>2025.12.31</u>	<u>2024.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$10,000	\$88,000
Payables	104,903	113,798
Bonds payable	330,797	-
Long-term borrowings (including those due within one year)	28,167	254,877
Lease liabilities	1,181	-
Deposits received	240	-
Subtotal	<u>475,288</u>	<u>456,675</u>
Financial liabilities measured at FVTPL:		
Held for transaction purposes	<u>2,415</u>	<u>-</u>
Total	<u>\$477,703</u>	<u>\$456,675</u>

2. Financial Risk Management Objectives and Policies

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

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

3. Market Risk

The market risk of the Group refers to the risk of fluctuations in the fair value or cash flow

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

of financial instruments due to changes in market prices. The market risk mainly includes interest rate risk and other price risks.

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

Interest rate risk

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

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

The sensitivity analysis of interest rate risk mainly targets interest rate exposure items as of the financial reporting period-end, including floating rate investments and floating rate borrowings. It assumes holding for one accounting year. If the interest rate increases/decreases by 10%, the impact on the group's profit or loss for the periods from January 1 to December 31, 2025 and 2024 will be a decrease/increase of NT\$268 thousand and NT\$111 thousand, respectively.

Equity price risk

The Group holds equity securities of publicly listed companies, and their fair value may be affected by the uncertainty of the future value of these investment targets. The equity securities held by the Group are classified as financial instruments measured at fair value through profit or loss. The Group manages equity price risk through diversification of investments and by setting limits for both individual and overall equity investments. The portfolio information of equity securities must be regularly provided to the senior management of the Group, and all decisions on equity securities investments must be reviewed and approved by the Board of Directors.

For equity securities of publicly listed companies measured at fair value through profit or loss, if the price of these securities increases/decreases by 1%, the impact on the group's profit or loss for the periods from January 1 to December 31, 2025 and 2024 will be an increase/decrease of NT\$495 thousand and NT\$495 thousand, respectively.

4. Credit risk management

Credit risk refers to the risk of financial loss due to the counterparty's failure to fulfill the

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

obligations stipulated in the contract. The credit risk of the Group is due to operation activities (mainly accounts receivable and bills) and financial activities (mainly bank deposits and various financial instruments).

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

As of December 31, 2025 and 2024, receivables from the Group's top ten customers accounted for 63.21% and 64.63% of the total receivables of the Group, respectively, with no credit concentration risk related to accounts receivable.

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

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

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

5. Liquidity risk management

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

<u>Non-derivative financial liabilities</u>					
	Less than 1 year	Two to three years	Four to five years	More than five years	Total
2025.12.31					
Borrowings	\$16,740	\$12,729	\$10,368	\$-	\$39,837
Payables	\$104,903	\$-	\$-	\$-	\$104,903
Convertible corporate bonds	\$-	\$353,509	\$-	\$-	\$353,509
Lease liabilities	\$309	\$617	\$309	\$-	\$1,235
Deposits received	\$-	\$-	\$240	\$-	\$240
2024.12.31					
Borrowings	\$139,952	\$76,551	\$52,179	\$99,298	\$367,980
Payables	\$113,798	\$-	\$-	\$-	\$113,798

6. The reconciliation of liabilities from financing activities

The reconciliation information of liabilities for the year 2025:

	Short-term loans	Long-term borrowings	Bonds payable	Lease liabilities	Total liabilities from financing activities
2025.1.1	\$88,000	\$254,877	\$-	\$-	\$342,877
Financing Cash Flow	(78,000)	(226,710)	351,750	(309)	46,731
Non-cash Changes					-
Leases Modifications	-	-	-	1,461	1,461
Interest changes	-	-	5,291	29	5,320
Other changes	-	-	(26,244)	-	(26,244)
2025.12.31	\$10,000	\$28,167	330,797	\$1,181	\$370,145

The reconciliation information of liabilities for the year 2024:

Short-term loans	Long-term borrowings	Total liabilities from financing activities
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Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

2024.1.1	\$110,000	\$313,521	\$423,521
Financing Cash Flow	(22,000)	(58,644)	(80,644)
Non-cash Changes	-	-	-
2024.12.31	<u>\$88,000</u>	<u>\$254,877</u>	<u>\$342,877</u>

7. Fair value of financial instruments

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

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

- A. The carrying amounts of cash and cash equivalents, accounts receivables, 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

Except for the carrying amounts of cash and cash equivalents, accounts receivables, accounts payables, and other current liabilities, which are reasonable approximations of fair value, the fair value of other financial assets and financial liabilities measured at amortized cost is presented as follows:

	Book value	
	2025.12.31	2024.12.31
Financial liabilities:		
Bonds payable	<u>\$330,797</u>	<u>\$-</u>

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

	Fair value	
	2025.12.31	2024.12.31
Financial liabilities:		
Bonds payable	\$336,420	\$-

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

Refer to Note (12).9 for the fair value hierarchy information of the Group's financial instruments.

8. Derivatives

The Group has identified embedded derivatives from issuing convertible corporate bonds, which have been separated from the host contract and processed as financial assets at fair value through profit or loss. For details on this contract transaction, please refer to Note (6).

9. 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 that are recognized in the financial statements on a repetitive basis, the classification is re-evaluated at the end of each reporting period to determine whether there is a transfer between the fair value levels.

(2) Level information of fair value measurement

The Group does not have non-recurring assets measured at fair value. The fair value hierarchy information for recurring assets and liabilities is presented as follows:

December 31, 2025

Level 1	Level 2	Level 3	Total
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Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

Assets measured through fair value:

Financial assets measured at FVTPL

TWSE/TPEX-listed Stock	\$38,643	\$-	\$-	\$38,643
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Liabilities measured through fair value:

Financial liabilities measured at FVTPL

Held for transaction purposes	\$-	\$2,415	\$-	\$2,415
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December 31, 2024

	Level 1	Level 2	Level 3	Total
Assets measured through fair value:				
Financial assets measured at FVTPL				
TWSE/TPEX-listed Stock	\$42,471	\$-	\$-	\$42,471

Transfer between Level 1 and Level 2 fair value

Between January 1 and December 31, 2025 and 2024, the Group did not have any transfers between fair value hierarchy Level 1 and Level 2 for recurring assets and liabilities measured at fair value.

10. Capital Management

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

XIII. Supplementary Disclosure

- Following are the additional disclosures required by the Securities and Futures Bureau for TSMC:

The Related Information of Significant Transactions and Information on Investees from January 1, 2025 to December 31, 2025 are as follows:

- Financing provided for others: Refer to Appendix 1.
- Endorsement or guarantee provided to others: Refer to Appendix 2.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)

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

- (3) Significant marketable securities held at the end of the period: Refer to Appendix 3.
 - (4) 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 4.
 - (5) Accounts receivables from related parties amounting to at least NT\$ 100 million or 20% of the paid-up capital: None.
 - (6) For those who have significant influence, control, or joint ventures over the investee companies outside of Mainland China: Refer to Appendix 5.
 - (7) Others: The business relationship between the parent and the subsidiaries and significant transactions between them: Refer to Appendix 6.
2. DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA: Not applicable.

XIV. Department Information

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

	2025	2024
C1002	\$81,118	\$80,067
C4001	\$70,213	\$78,862

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 1
Financing provided for others:

No. (Note 1)	Lender of funds	Borrower of funds	Financial Statement Account (Note 2)	Are they related parties	Maximum Balance for the Period (Note 3)	Balance, end of period (Note 8)	The actual disbursed Amount	Interest rate range	Nature for Financing (Note 4)	Transaction Amounts (Note 5)	Reason for the need of short-term Financing (Note 6)	Amount of provision for bad debt allowance	Collateral		Loan limit amount for each individual	Total limit on financing amount	Note
													Name	Value			
0	Ping Ho Environmental Technology Co., Ltd.	Ping Ho Materials Technology Co., Ltd.	Other receivables - related parties	Yes	\$50,000	\$-	\$-	-	Short-Term Financing	-	Operating capital	-	-	-	\$353,144	\$353,144	(Note 7)

Note 1: The number is to be filled in the following manner in the column:

1. For the column of the issuer, please fill in "0."
2. Investee is numbered starting from number 1.

Note 2: The receivables from related enterprises, receivables from related parties, shareholder transactions, prepayments, and temporary payments, etc., if they are of a loaning nature, must be included in this section.

Note 3: The highest balance of funds loaned to others during the year.

Note 4: If the nature of the loaned funds is for business transactions, or if there is a need for short-term financing, it should be specified.

Note 5: If the nature of the loaned funds is for business transactions, the business transaction amount should be provided. This amount refers to the business transaction amount between the lender company and the borrower during the most recent year.

Note 6: If the nature of the loaned funds is for short-term financing, the reason for the loan and the purpose of the funds by the borrowing party should be specifically explained, such as repayment of loans, purchasing equipment, business turnover, etc.

Note 7: According to the Company's procedures for loaning of funds, the total amount of external loans cannot exceed 40% of the latest net worth as per the most recent financial report. However, this restriction does not apply to foreign companies where the Company holds 100% of the voting shares directly or indirectly. The loan amount to a single enterprise cannot exceed 40% of the latest net worth as per the most recent financial report.

Note 8: For companies or businesses with which the Company has business transactions, the total amount of funds loaned shall not exceed 40% of the Company's net worth, and the individual loan amount shall not exceed the business transaction amount between the two parties. The business transaction amount refers to the higher of the purchase or sales amount between the two parties.

Note 9: If a publicly listed company, according to Article 14, Paragraph 1 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies, loaning of funds on a case-by-case basis with a Board resolution, even if the funds have not yet been disbursed, the Board-approved amount should be included in the disclosed balance to reflect the risk it undertakes. If the funds are later repaid, the remaining balance after repayment should be disclosed to reflect the adjustment in risk. If a publicly listed company, based on Article 14, Paragraph 2 of the Regulations, has a Board resolution authorizing the chairman to disburse loans in installments or on a revolving basis within a set amount and within one year, the loan amount approved by the Board should still be used as the disclosed balance for announcement. Even if the funds are later repaid, considering the possibility of re-loaning, the loan amount approved by the board should still be used as the disclosed balance for announcement.

Note 10: The business has been eliminated when the consolidated statements are prepared.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 2

Endorsement or guarantee provided to others:

No. (Note 1)	Endorsement/ Guarantee Provider	Guaranteed Party		Limits on Endorsement / Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Amount Endorsed/Gu aranteed During the Period (Note 4)	Outstanding Endorsement Guarantee at End of period (Note 5)	Actual Amount Used (Note 6)	Amount of Endorsement/ Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Equity per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowable (Note 3)	Guarantee Provided by Parent Company (Note 7)	Guarantee Provided by A Subsidiary (Note 7)	Endorsement /Guarantee Given on Behalf of Companies in Mainland China (Note 7)
		Company Name	Nature of Relationships (Note 2)										
0	Ping Ho Environmental Technology Co., Ltd.	Ping Ho Materials Technology Co., Ltd.	2	\$441,431	\$180,000	\$30,000	\$-	\$-	3.40%	\$441,431	Yes	No	No

Note 1: The number is to be filled in the following manner in the column:

1. For the column of the issuer, please fill in "0."
2. Investee is numbered starting from number 1.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories; the category can be marked directly:

1. Companies having a business relationship.
2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
3. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.
4. The Company can provide endorsements and guarantees among companies where it directly and indirectly holds more than ninety percent of the voting shares, but the amount should not exceed ten percent of the Company's net value. However, endorsements and guarantees among companies where the Company directly and indirectly holds one hundred percent of the voting shares are not subject to the restriction.
5. Based on the companies mutually guaranteed by the industry according to the contract regulations for the construction project needs.
6. Due to the joint investment relationship, each shareholder endorses/guarantees the company according to their shareholding ratio.

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

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

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

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

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

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 3

Significant Marketable Securities Held at Balance as of September 30, 2023 (Excluding Investments in Subsidiaries, Associates, and Joint Ventures):

Holding company	Type of Marketable Security (Note 1)	Name of Marketable Security (Note 1)	Relationship with the Company (Note 2)	Accounts in books	End of period				Note
					Shares (thousand shares)	Carrying amount (Note 3)	Ownership Percentage	Fair value	
The Company	TWSE/TPEX-listed Stock	He Chin Precision Machinery Co., Ltd.	-	Financial assets at fair value through profit or loss - current	1,534	\$38,263	1.44%	\$38,263	
The Company	TWSE/TPEX-listed Stock	Evergreen Marine Corp.	-	Financial assets at fair value through profit or loss - current	2	\$380	Under 0.01%	\$380	

Note 1: The term “marketable securities” in this table refers to stocks, bonds, beneficiary certificates, and derivatives of the aforementioned items that fall within the scope of IFRS 9 “Financial Instruments.”

Note 2: For securities measured at fair value, the carrying amount should reflect the fair value after adjustments and net of accumulated impairment.

Note 3: For those measured at fair value, the carrying amount should be the balance adjusted for fair value evaluations and net of accumulated impairment; for those not measured at fair value, the carrying amount should be based on acquisition cost or amortized cost, net of accumulated impairment.

Note 4: If any of the listed securities are pledged as collateral, used for secured loans, or are otherwise restricted by contractual terms, a note should be made in the remarks column indicating the number of shares pledged or loaned, the related amounts, and the nature of the restriction.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 4

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		(Note 2)
			Purchase (Sale)	Amount	% to Total Purchases or Sales	Payment term	Unit Price	Payment term	Ending Balance	% to Total Bills/Accounts Receivable or Payable	
Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	Subsidiary	Purchase	\$123,938	53.82%	30 days	-	-	\$17,041	36.61%	

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-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. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 5

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

Name of investors	Investee Company	Location	Primary Business Activities	Original Investment Amount		Balance as of September 30, 2023			Net Profit or Loss of the Investee (Note 2(2))	The Company's Investment Income (Loss) (Note 2 (3))	Note
				December 31, 2024	December 31, 2023	Number of shares	Percentage	Book value			
Ping Ho Environmental Technology Co., Ltd.	Ping Ho Materials Technology Co., Ltd.	Taiwan, Republic of China	Wastewater Treatment	\$680,630	\$260,630	60,962,425	98.33%	\$544,024	(\$24,267)	(\$23,208)	Subsidiary (Note 3)
Ping Ho Environmental Technology Co., Ltd.	Ching Jin Industrial Co., Ltd.	Taiwan, Republic of China	Waste Transportation Industry	\$20,307	\$20,307	2,470,000	100.00%	\$48,176	\$15,562	\$15,562	Subsidiary (Note 4)
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%	\$16,905	\$5,236	\$5,236	Subsidiary (Note 4)
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%	\$112,049	\$28,691	\$28,691	Subsidiary (Note 4)
Ping Ho Environmental Technology Co., Ltd.	Greenstone Applied Materials Co., Ltd.	Taiwan, Republic of China	Manufacture of chemical raw materials	\$2,200	\$-	220,000	20.00%	\$2,083	(\$586)	(\$117)	Associate

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

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

- (1) The columns such as "Name of the Invested Company", "Location", "Main Businesses and Products", "Original Investment Amount", and "Shareholding Status at the End of the Period" should be completed in sequence according to the investment situation of our (publicly issued) company and the reinvestment situation of each invested company directly or indirectly controlled. The relationship between each invested company and our (publicly issued) company (such as subsidiaries or grandchild companies) should be indicated in the "Remarks" column.
- (2) The column 'Net Profit or Loss of the Investee' should be filled with the current profit (loss) amount of each investee.
- (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 profit (loss) among affiliated companies.

Note 4: All intra-group transactions, are eliminated upon consolidation.

Ping Ho Environmental Technology Co., Ltd. and Subsidiaries Notes to Consolidated Financial Statements (Continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

TABLE 6

Intercompany Relationships and Significant Intercompany Transactions:

No. (Note 1)	Trader's name	Counterparty	Relationship (Note 2)	Transactions			
				Account	Amount (Note 5)	Terms and conditions	Percentage of consolidated total revenue or total assets (Note 3)
0	Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	1	COST OF REVENUE	\$123,938	Equivalent to general payment terms	20.05%
0	Ping Ho Environmental Technology Co., Ltd.	Ching Jin Industrial Co., Ltd.	1	COST OF REVENUE	\$13,065	Equivalent to general payment terms	2.11%
0	Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	1	Payables	\$19,709	Equivalent to general payment terms	1.42%

Note 1: The information about transactions between parent company and subsidiaries shall be numbered and noted in the following manner in the box of numbers:

1. 0 is for the Parent Company.
2. Subsidiaries are numbered from number 1.

Note 2: There are two types of relationships with traders, only the types are indicated:

1. Parent company vs. subsidiaries
2. Subsidiary vs. subsidiary

Note 3: For computing the percentage of trade amount to total sales revenue or total assets, if it is for asset and liability account, the computation is based on the ratio of ending balance to total consolidated assets; however, if it is for income and expense account, the computation is based on the ratio of interim cumulative amount to total consolidated revenue.

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

Note 5: All intra-group transactions, are eliminated upon consolidation.