

Stock Code: **6771**



Annual Report 2023

Published on April 11, 2024

The website designated by the Financial Supervisory Commission for information reporting: <https://mops.twse.com.tw>

The website for disclosing company annual report-related information: <http://www.pinghounion.com.tw>

Spokesperson:

Name: Yi-Sheng Chen

Title: Assistant Vice President of Management Department

Phone: (07) 623-3690

Email: sam.ph@pinghounion.com.tw

Deputy Spokesperson:

Name: Ching-I Liu

Title: Assistant Manager of Management Department

Phone: (07) 623-3690

Email: tina.ph@pinghounion.com.tw

Headquarter, Branch, Factory Address and Telephone Number

Headquarter and Factory:

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

Phone: (07) 623-3690

Branch: None

Name of the Stock Transfer Agent, Address, Website, and Telephone Number

Name of the Agency: Stock affairs agent department of Grand Fortune Securities Co., Ltd.

Address: 6F., No. 6, Sec. 1, Zhongxiao W. Rd., Zhongzheng Dist., Taipei City

Website: <http://www.gfortune.com.tw>

Phone: (02) 2383-6888

Certified Public Accountant

Auditors: Fang-Wen Lee, Kuo-Sen Hung

Accounting Firm: Ernst & Young Taiwan

Address: 17F., No. 2, Zhongzheng 3rd Rd., Xinxing Dist., Kaohsiung City 80052

Website: https://www.ey.com/tw/zh_tw

Phone: (07) 238-0011

Name of the overseas securities trading platform and the procedure for accessing information: None.

Company Website: <http://www.pinghounion.com.tw/>

Contents

	Pages
I. <u>Letter to Shareholders</u>	4
II. <u>Company Profile</u>	7
I. Date of Incorporation	7
II. Company History	7
III. <u>Corporate Governance Report</u>	8
I. Organization	8
II. Information of Directors, Supervisors, General Manager, Vice President, Assistant Vice President, and Management Team from each department and branches	10
III. Remuneration to the Directors, Supervisors, General Manager, and Vice President in the most recent year	24
IV. Implementation of Corporate Governance	31
V. Information Regarding the Company's Audit Fee	94
VI. Information Regarding the Replacement of the Accountant	94
VII. Where the Company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm, the name, title, and position of the person, and the period during which the position was held, shall be disclosed.	94
VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.	95
IX. Relationship information, if among the Company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.	96
X. The total number of shares and total equity stake held in any single enterprise by the company, directors and supervisors, managerial officers, and any companies controlled either directly or indirectly by the company.	98

IV. <u>Fundraising Overview</u>	99
I. Capital and Shares	99
II. Status of Corporate Bonds	106
III. Status of Preferred Stock	106
IV. Status of Global Depository Receipt	106
V. Status of Employee Stock Warrants	106
VI. Status of Restricted Stock Awards	106
VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions	106
VIII. Status of Financing Plans and Implementation	106
V. <u>Operational Highlights</u>	107
I. Business Activities	107
II. Market and Sales Overview	137
III. The information of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report.	153
IV. Environmental Protection Expenditure	153
V. Labor Relations	153
VI. Cyber Security Management	156
VII. Important Contracts	156
VI. <u>Financial Information</u>	159
I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years	159
II. Five-Year Financial Analysis	164
III. Audit Committee's Report in the Most Recent Year	169
IV. Financial Statements Certified by a CPA in the Most Recent Year	170
V. Individual Financial Statement Certified by a CPA in the Most Recent Year	225
VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the	280

annual report shall explain how said difficulties will affect the Company's financial situation.

VII. <u>Review of Financial Conditions, Financial Performance, and Risk Management</u>	281
I. Analysis of Financial Status	281
II. Financial Performance	282
III. Analysis of Cash Flow	282
IV. The effect upon financial operations of any major capital expenditures during the most recent year	283
V. Investment Policy and Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year	283
VI. Analysis of Risk Management	285
VII. Other Important Matters	291
VIII. <u>Special Disclosure</u>	292
I. Information of Affiliated Enterprise	292
II. Private Placement Securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	292
III. The Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report	297
IV. Other matters that require additional description	297
V. The matters of special note shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity observed in primary exchange listed (emerging stock) companies.	297
IX. <u>According to Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities.</u>	297

I. Letter to Shareholders

Dear Shareholders:

In 2023, the global economic growth rate experienced a downturn compared to the preceding year, largely influenced by several adverse factors, including global inflation, mounting pressures from interest rate hikes, and the ongoing standoff between Ukraine and Russia. Consequently, the Company's clients were inevitably affected, leading to a decrease in production. The reduction in the Company's revenue for the fiscal year ending December 2023 primarily resulted from diminished wastewater treatment volumes. However, despite grappling with these challenges, the Company successfully implemented various cost-cutting measures and consistently optimized its product portfolio, resulting in only a slight decline in profit for the fiscal year ending December 2023 compared to the fiscal year ending December 2022.

As we approach 2024, organizations like the IMF predict a revival in global trade volume. Alongside sustained interest in emerging technology applications and the gradual stabilization of supply chain inventory levels, this trend is anticipated to strengthen export momentum. Economic growth prospects for the year appear promising. Nonetheless, caution is advised in light of China's economic slowdown and escalating geopolitical risks. Internally, fluctuations in end-user demand have the potential to affect production, thus impacting our water intake. The company remains committed to vigilant monitoring of customer conditions and adjusting our strategies accordingly.

In recent years, Taiwan has faced a rapid increase in various types of waste, highlighting the urgent need to address the development of a circular economy. Alongside further advancements in wastewater treatment technology, the Company intends to proactively venture into other project areas and assess the viability of commercializing different facets of the circular economy.

Lastly, we extend our sincere gratitude to all shareholders and partners for their ongoing support and encouragement. Looking ahead, the Company will approach forthcoming challenges with a more proactive and rigorous stance to fulfill the expectations of our shareholders.

I. 2023 Annual Report

(I) The implementation results of the business plan:

The Company recorded a consolidated operating revenue of \$609,242 thousand, along with a consolidated operating net profit of \$173,266 thousand in 2023. The net profit attributable to the Company after tax of \$138,846 thousand, leading to an EPS of \$4.76.

(II) Status of Budget implementation:

The Company did not publish financial forecasts for 2023, hence the application of budget attainment is not applicable.

(III) Analysis of Financial Stability and Profitability:

Unit: NTD 1,000

Items		2022	2023
Financial Income and Expenses	Operating Revenue	672,972	609,242
	Gross Profit	302,091	294,632
	Operating Income	181,638	173,266
Profitability	Return on Assets (%)	12%	11%
	Return on Equity (%)	21%	19%
	Paid-in capital Ratio (%)	Operating Profits	62%
		Income Before Tax	56%
	Net Profit Margin (%)	22%	22%
Earnings Per Share (\$)		5.20	4.76

(IV) Status of Research and Development:

Employing SBR for organic pollutant removal in wastewater: Cultivating appropriate microorganisms to decompose residual organics post-chemical coagulation. These microorganisms are subsequently introduced into the SBR for testing purposes. This method facilitates the acquisition of parameters and processes for SBR input throughout plant operation, leading to enhanced wastewater treatment efficiency and reduced operating costs.

II. Business Plan for 2024

(I) Business objectives:

The growing environmental crises worldwide and in Taiwan are having an increasingly noticeable impact on our daily lives. As a result, there has been a gradual shift away from the traditional emphasis of businesses solely prioritizing profit. The level of the Company's dedication and participation in Environmental, Social, and Governance (ESG) initiatives, along with other corporate social responsibilities, demonstrate its operational values to some degree. The Company is committed not only to advancing in the environmental protection sector but also to integrating upstream and downstream industries and organizing resource recycling, all in line with its development policy of "Integrity, Pragmatism, Sustainability." Furthermore, besides

emphasizing environmental protection, the company will actively enhance corporate governance and fulfill corporate social responsibility to enhance higher shareholder value.

(II) The Company's Operational Management Strategy:

1. Consistently monitor the quality of customer water and diligently enforce process controls to ensure to regulatory standards for discharged water.
2. Visit clients periodically to understand their needs, enabling us to stay informed about industry changes and take responsive measures.
3. Enhance technological development and application to broaden the scope and diversity of customer industries.

(III) Status of Sales Forecast Plan:

The Company's sales are primarily influenced by broader economic conditions, environmental protection regulations, and changes in customer industries, with a focus on export-oriented sectors. In recent years, the Company has proactively diversified into various industry sectors, including metal surface treatment, chemicals, textiles, electronics, biotechnology and medicine...etc. We will actively pursue new projects to sustain growth momentum in our operations.

(IV) The future corporate development strategy is influenced by the external competitive, regulatory, and overall operating environments:

1. The Future Corporate Development Strategy:

- (1) Promote resource reuse to establish mutually beneficial partnerships with customers, emphasizing environmental sustainability.
- (2) Keep abreast of environmental regulations and industry trends, while engaging into technical applications and developments to seize market opportunities.

2. Influenced by the external competitive environment, regulatory framework, and overall business climate:

The operational status of the Company is easily affected by the economic cycles of our customers' industries. Hence, we have gradually expanded our customer base to encompass diverse industries, mitigating the impact of any single sector on our operational stability.

Best wishes to all shareholders

Wishing you good health and success in all endeavors

Chairman: Ming-Yang Wu

II. Company Profile

I. Date of Incorporation: August 1, 2006

II. Company History

Year/Month	Milestones
August 2006	Ping Ho Environmental Technology Co., Ltd. has been Incorporated with a cash capital of \$30,000 thousand.
May 2008	Officially obtained the Water Pollution Prevention Measures Plan and Water Pollution Prevention Permit on May 15, 2008
November 2011	Cash Capital Increase of \$7,500 thousand.
January 2012	Acquisition of the patent for the production equipment of the new model M421324 regeneration coagulant
November 2013	Acquisition of the patent for the invention of the new type I414487 recycled regeneration coagulant and its manufacturing method
March 2014	Cash Capital Increase of \$22,500 thousand
June 2014	Cash Capital Increase of \$30,000 thousand
August 2014	Obtained ISO 9001 certification
November 2015	Cash Capital Increase of \$30,000 thousand
January 2016	Cash Capital Increase of \$30,000 thousand
March 2017	Cash Capital Increase of \$30,000 thousand
June 2017	Capital increase through earnings of \$18,000 thousand
June 2018	Capital increase through earnings of \$9,900 thousand
December 2018	Issued new shares of \$70,000 thousand to acquire Feng Jia, Ching Jing, and Wan Jing as subsidiaries, with a paid-in capital of \$277,900 thousand.
December 2019	Approved public offering by the Taipei Exchange, Taiwan.
January 2020	The stock officially listed for trading on the Emerging Stock Market.
July 2020	Capital increase through earnings of \$13,895 thousand
January 2024	The application for listing stocks on the Innovation board has been reviewed and approved by the Securities Listing Review Committee of the Taiwan Stock Exchange and the Board of Directors, with a listed capital application of \$291,795 thousand.

III. Corporate Governance Report

I. Organization

(I) Organizational Chart



(II) Business operations of the primary department

Division	Responsibilities
Auditing Office	<ul style="list-style-type: none"> ■ Establishment, implementation, revision, and review of the internal audit system assist in the implementation of the internal control system. ■ Developing and executing the Company's annual audit plan
General Manager's Office	<ul style="list-style-type: none"> ■ Drafting and promoting the formulation of strategic planning, operational strategies, and goals. ■ Planning and managing new business development and project matters
Management Division	<ul style="list-style-type: none"> ■ Financial planning and management of fund allocation and scheduling ■ Preparation of financial statements, analysis of costs and operational performance, and declaration of tax settlement ■ Consolidation of annual budgets and analysis of execution results ■ Planning and execution of human resources and general affairs ■ MIS Planning and Management ■ Procurement and management of various contracts and engineering projects
Manufacturing Division	<ul style="list-style-type: none"> ■ Arrangement and management of production manufacturing plans ■ Maintenance and management of in-house equipment, machinery, and appliances ■ Optimize manufacturing technology and production efficiency ■ Execution of projects or tenders ■ Execute the rights and obligations related to the contract
Business Division	<ul style="list-style-type: none"> ■ Continuously staying informed about customer situations enables timely responses to market changes ■ After-sales service and related product consultations ■ Marketing strategy and product development planning
Technology Division	<ul style="list-style-type: none"> ■ Establishing a quality system and promoting the implementation of quality management plans ■ Inspection related to product quality and safety ■ Optimization of technological development and intellectual property rights applications

II. Information of Directors, Supervisors, General Manager, Vice President, Assistant Vice President, and Management Team from each department and branches

(I) Directors and Supervisors information

Unit: shares; April 9, 2024

Title (Note 1)	Nationality or Place of Incorporation	Name	Gender Age (Note 2)	Date of Elected	Term	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Currently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Chairman	Republic of China	Ming-Yang Wu	Male 61-70 years old	2022.06.15	3 years	2015.11.03	2,101,172	7.20%	2,101,172	7.20%	0	0%	0	0%	TsauGung Elementary School Honorary President of the Kaohsiung City New Chamber of Commerce	Chairman of Ping Ho Materials Technology Co., Ltd. Chairman of Walter Express Co., Ltd. Supervisor of Kaohsiung International Economy Co., Ltd.	Assistant Manager of the Technology Division	Hui-Ku o Wu	Father and son	None
Director and CEO	Republic of China	Ming-Jen Hung	Male 61-70 years old	2022.06.15	3 years	2019.05.29	1,268,420	4.35%	1,268,420	4.35%	578,637	1.98%	420,000	1.44%	Bachelor's degree of Design Marketing at TungFang Design Universiy General Manager of Feng Jia Industrial Co., Ltd. General Manager of Ching Jing Industrial Co., Ltd. General Manager of Wan Jing Industrial Co., Ltd. General Manager of Ping Ho Materials Technology Co., Ltd.	Chairman of Feng Jia Industrial Co., Ltd. Chairman of Ching Jing Industrial Co., Ltd. Chairman of Wan Jing Industrial Co., Ltd. Chairman of Feng Jia Construction Co., Ltd. Chairman of Ren Xiang Investment consulting Co., Ltd. General Manager of Ping Ho Materials Technology Co., Ltd.	None	None	None	None

Title (Note 1)	Director	Director (Note A)	Nationality or Place of Incorporation	Name	Gender Age (Note 2)	Date of Elected	Term	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Currently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 5)
									Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director (Note A)	Director	Director (Note A)	Republic of China	Ming-Cheng Chung	Male 51-60 years old	2022.06.15	3 years	2019.08.30	589,680	2.02%	589,680	2.02%	0	0%	0	0%	Yung-Ta Institute of Technology & Commerce Director of Dah Chuan Steel Pipe Corp.	Director of Dah Chuan Steel Pipe Corp. Director of Great River Steel Corp. Director of Cai Sheng Investment Corp. Director of Yong Chuan Brick and Tile Corp. Supervisor of Chung Yuan-Heng Steel Corp.	None	None	None	None
Republic of China	Director	Director (Note A)	Republic of China	Chin-Lan Huang	female 51-60 years old	2023.11.03	3 years	2023.11.03	211,450	0.72%	211,450	0.72%	0	0%	0	0%	Associate Degree of Early Childhood Education, National Pingtung University of Education Director of Cheng Yi Steel Co., Ltd. Director of Universal Inspection Technology Co., Ltd.	None	None	None	None	
Republic of China	Director	Director (Note A)	Republic of China	Ming Sun	Male 51-60 years old	2022.06.15	3 years	2019.05.29	244,120	0.84%	244,120	0.84%	0	0%	0	0%	International Vocational School of Business	Chairman of Shih-Tsun Co., Ltd., Chairman of Gao Ding Scaffolding Co., Ltd.	None	None	None	None

Title (Note 1)	Nationality or Place of Incorporation	Name	Gender Age (Note 2)	Date of Elected	Term	Date of First Elected (Note 3)	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 4)	Currently holding positions in the Company and other companies	Executives, Directors or Supervisors Who are Spouses or within Two Degrees of Kinship			Remarks (Note 5)
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Independent Director	Republic of China	Chi-Shan Hung	Male 71-80 years old	2022.06.15	3 years	2020.03.03	0	0%	0	0%	0	0%	0	0%	Master's degree of Laws at National Cheng Kung University Consultant of Kaohsiung Certified Public Accountants Association Commissioner of National Taxation Bureau of Kaohsiung, Ministry of Finance Commissioner of National Taxation Bureau of the Southern Area, Ministry of Finance Deputy Director-general of National Taxation Bureau of the Northern Area, Ministry of Finance	Independent Director of Hua Yu Lien Development Co., Ltd. Director of Flexium Interconnect Inc.	None	None	None	None
Independent Director	Republic of China	Tao-Min Chen	Male 61-70 years old	2022.06.15	3 years	2022.06.15	0	0%	0	0%	0	0%	0	0%	Bachelor's degree of Business Administration at Fu Jen Catholic University Deputy Director of Investigation Bureau, Ministry of Justice Section Chief of Investigation Bureau, Ministry of Justice Senior Executive Officer of Investigation Bureau, Ministry of Justice Deputy Secretary-general of Kaohsiung City Council	None	None	None	None	None
Independent Director	Republic of China	Jun-An Chang	Male 61-70 years old	2022.06.15	3 years	2022.06.15	0	0%	0	0%	0	0%	0	0%	Master's degree of Chemical Engineering at University of Massachusetts Boston in the USA Engineer of Jun An Environmental Engineering Technician Office	Engineer of Jun An Environmental Engineering Technician Office Chairman of Ace Carbon Reduction Tech Co., Ltd.	None	None	None	None

NoteA : Director Ming Sun resigned on November 2, 2023, and Director Chin-Lan Huang was elected to succeed at the shareholders' interim meeting on November 3, 2023.

Note1 : Corporate shareholders should list the names of the corporate shareholders and the representatives separately (for those representing corporate shareholders, the name of the corporate shareholder should be noted)

and fill in Table 1 below.

Note2 : Please provide the actual age, which can be expressed in ranges, such as 41-50 years old or 51-60 years old.

Note3 : Please fill in the date when you first assumed the position as a director or supervisor of the Company. If there are any interruptions, please provide an explanation in the Notes section.

Note4 : Experience relevant to the current position should be outlined, including any titles and responsibilities held at audit accounting firms or affiliated enterprises during the aforementioned period.

Note5 : If the Chairman and General Manager (or equivalent senior executive) of the Company are the same person, spouses, or first-degree relatives, it is necessary to explain the reasons, rationality, necessity, and countermeasures (include increasing the number of seats for Independent Directors, ensuring that over half of the Directors do not also hold employee or manager positions), and providing other relevant information.

Table1 : Major shareholders of the institutional shareholders

April 9, 2024

Name of Institutional Shareholders (Note 1)	Major shareholders of the institutional shareholders (Note 2)
Not applicable	Not applicable

Note1 : For directors and supervisors acting as the representatives of institutional shareholders, this section shall indicate the names of the institutional shareholders.

Note2 : Shall indicate the names of the institutional shareholders (those 10 largest shareholders) and the holding percentage of each. If the major shareholder is an institution, Table 2 should be completed.

Note3 : If the institutional shareholder is not a company, the names and shareholding ratio of shareholders that should be disclosed are the names of people (referred to the official notice from the Judicial Yuan) who contributed or donated the capital and the ratio of their contribution or donation. If the donor has passed away, add a note "deceased".

Table2 : Table 1 Major shareholdes are institutions

April 9, 2024

Name of Institutional (Note 1)	Major shareholders of the institutional (Note 2)
Not applicable	Not applicable

Note1 : As shown in Table 1, if the major shareholder is an institution, the name should be filled in.

Note2 : Shall indicate the names of the institutional shareholders (those 10 largest shareholders) and the holding percentage of each.

Note3 : If the institutional shareholder is not a company, the names and shareholding ratio of shareholders that should be disclosed are the names of people (referred to the official notice from the Judicial Yuan) who contributed or donated the capital and the ratio of their contribution or donation. If the donor has passed away, add a note "deceased".

(I) Directors and Supervisors information (continued)

1. Professional qualifications analysis of directors and supervisors and independence of independent directors:

April 11, 2024

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Positions in Other Public Companies as an Independent Director
Chairman Ming-Yang Wu	<p>The current Chairman of Ping Ho Materials Technology Co., Ltd. and Chairman of Walter Express Co., Ltd., has previously served as the President of the Kaohsiung City New Chamber of Commerce. Possessing extensive work experience essential for company operations, including business acumen and management skills, he is a professional in leadership, operational management, and strategic planning. There is no circumstance outlined in Article 30 of the Company Law.</p>	<p>Non-Independent Director - Not applicable.</p>	0
Director Ming-Jen Hung	<p>Also holding the position of CEO in the Company. He brings over a decade of hands-on experience in both the environmental protection sector and corporate management. Specializing in market strategy, business development, and well-versed in the current landscape of the industry, contributing to the formulation of comprehensive operational strategies. There is no circumstance outlined in Article 30 of the Company Law.</p>	<p>Non-Independent Director - Not applicable.</p>	0

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Positions in Other Public Companies as an Independent Director
Director Ming-Cheng Chung	<p>Currently serving as a Director of Da Chuan Steel Pipe Co., Ltd. and Great River Steel Corp., demonstrating abilities in business and corporate governance.</p> <p>There is no circumstance outlined in Article 30 of the Company Law.</p>	Non-Independent Director - Not applicable.	0
Director Chin-Lan Huang	<p>Served as a Director of Cheng Yi Steel Co., Ltd. and Universal Inspection Technology Co., Ltd., demonstrating strong business and corporate governance capabilities.</p> <p>There is no circumstance outlined in Article 30 of the Company Law.</p>	Non-Independent Director - Not applicable.	0

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Positions in Other Public Companies as an Independent Director
Independent Director Chi-Shan Hung	<p>Serving as the convener of the Audit Committee and a member of the Remuneration Committee for the Company, an Independent Director for Hua Yu Lien Development Co., Ltd., and a Director for Flexium Interconnect Inc. Previously served as the Commissioner of National Taxation Bureau of Kaohsiung, Ministry of Finance and an Consultant of Kaohsiung Certified Public Accountants Association. With over five years of experience in finance, accounting, and the required business operations, specializing in financial and accounting affairs.</p> <p>There is no circumstance outlined in Article 30 of the Company Law.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises. He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	1

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Positions in Other Public Companies as an Independent Director
Independent Director Tao-Min Chen	<p>Served as a member of the Audit Committee and Remuneration Committee for the Company, and has previously held positions as a Senior Executive Officer of Investigation Bureau in Ministry of Justice, with over five years of experience in business, legal affairs, and company operations necessary for the role, capable of providing timely professional legal opinions for the Company.</p> <p>There is no circumstance outlined in Article 30 of the Company Law.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises.</p> <p>He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	0

Qualification Name	Professional Qualifications and Experience (Note 1)	Independence Criteria (Note 2)	Positions in Other Public Companies as an Independent Director
Independent Director Jun-An Chang	<p>As a member of the Audit Committee and Remuneration Committee of the Company, as well as the Chairman of Ace Carbon Reduction Tech Co., Ltd. He brings over five years of work experience necessary for company operations. With expertise in the field of chemical engineering, and offer timely professional opinions on R&D and process technology for the Company.</p> <p>There is no circumstance outlined in Article 30 of the Company Law.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises.</p> <p>He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	0

2. Diversity and Independence of the Board of Directors:

(1) Diversity of the Board of Directors:

The Company's directors bring expertise from various fields such as industry, finance, and management. To achieve optimal corporate governance, Article 20 of the "Corporate Governance Best Practice Principles" outlines two main standards that the Company's operations, business model, and development should adhere to:

A、Basic Qualification and Values: Gender, age, nationality, and culture, among others.

B、Professional Knowledge and Skills: Professional background (e.g., Law, Accounting, Industry, Finance, Marketing, or Technology), professional skills, and industry experience, among others.

In addition to the aforementioned criteria, members of the Board of Directors should generally possess the knowledge, skills, and professional acumen necessary to carry out their duties. To achieve the ideal goal of corporate governance, the Board of Directors should collectively possess the following capabilities:

- A、Operational Judgment Capability.
- B、Accounting And Financial Analysis Capability.
- C、Management Capability.
- D、Crisis Management Capability.
- E、Industry Knowledge.
- F、International Market Insight.
- G、Leadership Capability.
- H、Decision-Making Capability.

The current implementation of diversification among the Board of Directors at the Company is as follows:

Diversity of the Board of Directors

Title	Name	Nationality	Gender	Holding an employee status	Age				Tenure of Independent Director	Diversification Item					
					Under 50 years old	51 to 60 years old	61 to 70 years old	71 to 80 years old		Less than three years	Operational Judgment	Accounting and Finance	Management	Crisis Management	Industry Knowledge
Chairman	Ming-Yang Wu	Republic of China	Male			V			V	V	V	V	V	V	V
Director	Ming-Jen Hung	Republic of China	Male	V		V			V	V	V	V	V	V	V
Director	Ming-Cheng Chung	Republic of China	Male		V				V	V	V	V		V	V
Director	Chin-Lan Huang	Republic of China	Female		V				V	V	V		V	V	V
Independent Director	Chi-Shan Hung	Republic of China	Male			V			V	V	V	V	V	V	V
Independent Director	Tao-Min Chen	Republic of China	Male		V		V	V		V		V	V		
Independent Director	Jun-An Chang	Republic of China	Male		V		V	V		V	V	V	V		V

(2) Board of Directors Independence:

The Company's Board of Directors comprises 7 members, (including 3 Independent Directors). Among the board members, Independent Directors represent 43%, while those with employee status make up 14.29%. Gender equality within the board is also a focus, with 1 female director among the 7, accounting for a ratio of 14.29%. This aligns with the management objective of

diversity policy for board members. The Board guides company strategy, oversees management, and is accountable to the Company and shareholders. All operations and arrangements in the corporate governance system are conducted in accordance with laws, the Corporate Charter, or resolutions of the Shareholders Meeting. The Company's Board of Directors emphasizes independent and transparent operation. Both directors and independent directors are considered independent entities and exercise their authority autonomously. The three Independent Directors also adhere to relevant legal regulations and collaborate with the Audit Committee to review the Company's control mechanisms for existing or potential risks. This ensures effective oversight of the implementation of internal controls, the selection (and dismissal) of accounting auditors, and the proper preparation of financial statements with independence and fairness. In addition, in accordance with the Company's "Procedure for Appointment of Director," the selection of directors and independent directors follows a cumulative voting system and candidate nomination system, aiming to encourage shareholder participation. Shareholders holding a certain number of shares can nominate candidates, subject to confirmation of their qualifications and compliance with the provisions listed in Article 30 of the Company Act. All relevant acceptance procedures are carried out and announced in accordance with the law, ensuring the protection of shareholders' rights and preventing the monopolization or excessive use of nomination rights, thus maintaining independence. The Company's directors and independent directors do not have any spousal or second-degree kinship relationships among them. Hence, none of the situations specified in Section 3 and Section 4 of Article 26-3 of the Securities and Exchange Act apply.

Note1 : Professional Qualifications and Experience: The professional qualifications and experiences of each director and supervisor should be outlined. If they serve as members of the Audit Committee and possess expertise in accounting or finance, their accounting or financial background and work experience should be detailed. Additionally, it should be clarified whether they are free from the situations specified in Article 30 of the Company Law.

Note2 : The Independent Director should disclose their compliance with independence criteria, including but not limited to whether they, their spouse, or relatives within two degrees of kinship serve as Directors, supervisors, or employees of the Company or its affiliated enterprises. The extent of shareholding by themselves, their spouse, or relatives within two degrees of kinship (or held under others' names); whether they hold positions in companies with specific relationships with the Company (referencing regulations 5-8 of Article 3, Paragraph 1 in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies), and the remuneration received for business, legal, financial, or accounting services provided to The Company or its affiliated enterprises in the last two years.

Note3 : Please refer to the best practice examples on the Corporate Governance Center website of the Taiwan Stock Exchange for the disclosure method.

(II) Information of General Manager, Vice President, Assistant Vice President, and Management Team from each department and branches

Unit: shares; April 9, 2024

Title (Note 1)	Nationality	Name	Gender	Date of Elected	Shares Held		Shares held by spouse and minor children		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Currently holding positions in other companies	Manager who is spouses or within two degrees of kinship		Remarks (Note 3)		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship		
CEO	Republic of China	Ming-Jen Hung	Male	June 29, 2022	1,268,420	4.35%	578,637	1.98%	420,000	1.44%	Bachelor's degree of Design Marketing at TungFang Design Universiy General Manager of Feng Jia Industrial Co., Ltd. General Manager of Ching Jing Industrial Co., Ltd. General Manager of Wan Jing Industrial Co., Ltd. General Manager of Ping Ho Materials Technology Co., Ltd.	Chairman of Feng Jia Industrial Co., Ltd. Chairman of Ching Jing Industrial Co., Ltd. Chairman of Wan Jing Industrial Co., Ltd. Chairman of Feng Jia Construction Co., Ltd. Chairman of Ren Xiang Investment consulting Co., Ltd. General Manager of Ping Ho Materials Technology Co., Ltd.	None	None	None	None	None
General Manager	Republic of China	Hung- Chieh Huang	Male	June 29, 2022	57,089	0.20%	135,360	0.46%	180,380	0.62%	Master's Program at National Kaohsiung University of Science and Technology Vice President of Feng Jia Industrial Co., Ltd. Vice President of Ching Jing Industrial Co., Ltd. Vice President of Wan Jing Industrial Co., Ltd. Vice President of Ping Ho Materials Technology Co., Ltd.	Director of Feng Jia Industrial Co., Ltd. Director of Wan Jing Industrial Co., Ltd. Director of Ching Jing Industrial Co., Ltd. Director of Ping Ho Materials Technology Co., Ltd. Chairman of Hung Sheng Investment Co., Ltd.	None	None	None	None	None
Financial and Accounting Supervisor cum Assistant Vice President	Republic of China	Yi-Sheng Chen	Male	October 1, 2016	50,137	0.17%	0	0%	0	0%	Department of Accountancy at National Cheng Kung University Assistant Vice President of Mildex Optical Inc. Vice President of DaBomb Protein Biotech Corp.	None	None	None	None	None	
Technology Division Assistant Manager	Republic of China	Hui-Kuo Wu	Male	February 1, 2023	21,829	0.07%	0	0%	0	0%	Department of Electronic Engineering at China University of Science and Technology Manager of Walter Express Co., Ltd.	None	Chairman	Ming- Yang Wu	Father and son	None	
Audit Supervisor	Republic of China	Yi-Chen Lin	Male	March 18, 2019	0	0%	0	0%	0	0%	Master of Accountin at National Chung Hsing University Accountant of Mercuries & Associates Holding, Ltd. Auditor of Deloitte Touche Tohmatsu Limited Passed the Certified Public Accountant Examination	None	None	None	None	None	

Note1 : This should include the information of the General Manager, Vice President, Assistant Vice President, and Management Team from each department and branches, as well as individuals holding positions equivalent to the General Manager, Vice President, or Assistant Vice President, regardless of their job title, should also be disclosed.

Note2 : Experience relevant to the current position should be outlined, including any titles and responsibilities held at audit accounting firms or affiliated enterprises during the aforementioned period.

Note3 : When the General Manager or equivalent position (the highest manager) and the Chairman are the same individual, spouses, or first-degree relatives, the relevant information regarding the reasons, rationale, necessity, and response measures (such as increasing the number of Independent Director seats, and ensuring that over half of the directors do not hold dual roles as employees or managers, etc.) should be disclosed.

III. Remuneration to the Directors, Supervisors, General Manager, and Vice President in the most recent year

(I) The remuneration of Directors (including Independent Directors), Supervisors, General Manager, and Vice President

1. Remuneration of General Directors and Independent Directors:

Unit: NTD 1,000; December 31, 2023

Title	Name	Directors' remuneration				Ratio of Total Remuneration (A+B+C+D) to Net Income	Part-time employees receive relevant remuneration				Ratio of Total Remuneration (A+B+C+D+E+F+G) to Net Income										
		Remuneration (A)		Retirement Pension (B)	Director Remuneration (C)		Salaries, Bonuses, and Special Expenses, etc. (E)	Retirement Pension (F)	Employee Compensation (G)												
		The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements												
Director	Ming-Yang Wu	0	0	0	1,850	1,850	120	120	1,970	1,970	1,552	2,674	0	0	942	0	95	0	4,464	5,597	0
Director and CEO	Ming-Jen Hung																				
Director	Ming-Cheng Chung																				
Director	Chin-Lan Huang (Note 1)																				
Director	Ming Sun (Note 1)																				
Independent Director	Chi-Shan Hung	1,080	1,080	0	0	0	90	90	1,170	1,170	0	0	0	0	0	0	0	0	1,170	1,170	0

Independent Director	Tao-Min Chen								0.84%	0.84%										0.84%	0.84%	
Independent Director	Jun-An Chang																					

1. Please describe the Independent Directors' remuneration payment policies, systems, standards, and structure are established based on their responsibilities, risks, time commitment, and contribution to the Company: The Board of Directors authorizes the remuneration of directors according to their degree of involvement and contribution to the Company's operations, with industry standards serving as a reference. The remuneration for independent directors of the Company is determined by the Board of Directors, taking into account industry standards, but they are not involved in the allocation of director's remuneration.

2. In addition to the disclosure provided in the table above, remuneration received by the directors of the Company for providing services to all entities listed in the financial statements in the most recent fiscal year (such as acting as consultants for the parent company, all entities within the financial statements, or unaffiliated investment enterprises): None.

Note1 : Director Ming Sun resigned on November 2, 2023, and Director Chin-Lan Huang was elected to succeed at the shareholders' interim meeting on November 3, 2023.

*Please list the information related to the Directors (non-Independent Directors) and Independent Directors respectively

Remuneration Range Table

Range of Remuneration for Directors	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All companies in the Financial Statements (H)	The Company	All companies in the Financial Statements (I)
Less than \$1,000,000	Ming-Yang Wu, Ming-Jen Hung, Ming-Cheng Chung, Chin-Lan Huang, Ming Sun, Chi-Shan Hung, Tao-Min Chen, Jun-An Chang	Ming-Yang Wu, Ming-Jen Hung, Ming-Cheng Chung, Chin-Lan Huang, Ming Sun, Chi-Shan Hung, Tao-Min Chen, Jun-An Chang	Ming-Yang Wu, Ming-Cheng Chung, Chin-Lan Huang, Sun Ming, Chi-Shan Hung, Tao-Min Chen, Jun-An Chang	Ming-Yang Wu, Ming-Cheng Chung, Chin-Lan Huang, Sun Ming, Chi-Shan Hung, Tao-Min Chen, Jun-An Chang
\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	0	0	0	0
\$2,000,000 (inclusive) - \$3,500,000 (exclusive)	0	0	Ming-Jen Hung	0
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	0	0	0	Ming-Jen Hung
\$5,000,000 (inclusive) - \$10,000,000 (exclusive)	0	0	0	0
\$10,000,000 (inclusive) - \$15,000,000 (exclusive)	0	0	0	0
\$15,000,000 (inclusive) - \$30,000,000 (exclusive)	0	0	0	0
\$30,000,000 (inclusive) - \$50,000,000 (exclusive)	0	0	0	0
\$50,000,000 (inclusive) - \$100,000,000 (exclusive)	0	0	0	0
Greater than or equal to \$100,000,000	0	0	0	0
Total	8 people	8 people	8 people	8 people

2. Supervisors' Remuneration: Not applicable.
3. Remuneration of the General Manager and Vice President

Unit: NTD 1,000; December 31, 2023

Title	Name	Salary (A)		Retirement Pension (B)		Bonuses and Special Expenses, etc. (C)		Employee Compensation (D)				Ratio of Total Remuneration (A+B+C+D) to Net Income (%)	Receiving remuneration from entities outside of the subsidiary or from the parent company		
		The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements	The Company		All companies in the Financial Statements					
								Cash Amount	Stock Amount	Cash Amount	Stock Amount				
CEO	Ming-Jen Hung	3,198	5,141	108	108	990	1,290	2,638	0	2,660	0	6,934	9,199		
General Manager	Hung-Chieh Huang											4.99%	6.63%		

*Disclosures must be made for all persons in positions equivalent to General Manager or Vice President, regardless of job title (e.g., President, Chief Executive Officer, Chief Administrative Officer...etc.)

Remuneration Range Table

Range of Remuneration for the General Managers and Vice President	Name of the General Manager and Vice President	
	The Company	All companies in the financial statements (E)
Less than \$1,000,000	0	0
\$1,000,000 (inclusive) - \$2,000,000 (exclusive)	0	0
\$2,000,000 (inclusive) - \$3,500,000 (exclusive)	Ming-Jen Hung	0
\$3,500,000 (inclusive) - \$5,000,000 (exclusive)	Hung-Chieh Huang	Ming-Jen Hung
\$5,000,000 (inclusive) - \$10,000,000 (exclusive)	0	Hung-Chieh Huang
\$10,000,000 (inclusive) - \$15,000,000 (exclusive)	0	0
\$15,000,000 (inclusive) - \$30,000,000 (exclusive)	0	0
\$30,000,000 (inclusive) - \$50,000,000 (exclusive)	0	0
\$50,000,000 (inclusive) - \$100,000,000 (exclusive)	0	0
Greater than or equal to \$100,000,000	0	0
Total	2 people	2 people

4. Name of the manager responsible for distributing employee bonuses and details of the distribution:

Unit: NTD 1,000; December 31, 2023

	Title	Name	Stock Amount	Cash Amount	Total	Ratio of Total Remuneration to Net Income (%)
Manager	CEO	Ming-Jen Hung	0	3,769	3,769	2.71%
	General Manager	Hung-Chieh Huang				
	Assistant Vice President	Yi-Sheng Chen				

(II) If any of the circumstances listed below applies to the Company, it shall individually disclose the remuneration paid to each director and supervisor:

1. If any Financial statements or individual financial statements that posted an after-tax deficit in any of the three most recent fiscal years shall disclose the names and remuneration paid to each directors and supervisors. However, it shall not apply if financial statements or individual financial statements have posted net income after tax for the most recent fiscal year and such net income after tax is sufficient to offset the accumulated deficits: None.
2. If the shares held by directors are insufficient for more than three consecutive months in the most recent fiscal year shall disclose the remuneration of individual directors; one that has had an insufficient supervisor shareholding percentage for 3 consecutive months or more during the most recent fiscal year shall disclose the remuneration of individual supervisors: None.
3. If the average ratio of share pledging by directors or supervisors in excess of 50 percent in any 3 months during the most recent fiscal year shall disclose the remuneration paid to each individual director or supervisor having a ratio of pledged shares in excess of 50 percent for each such month: None.
4. If the total amount of remuneration received by all of the directors and supervisors in their capacities as directors or supervisors of all of the companies listed in the financial reports exceeds 2 percent of the net income after tax, and the remuneration received by any individual director or supervisor exceeds NT\$15 million, the Company shall disclose the remuneration paid to that individual director or supervisor: None.
5. Companies that have been fall into the bottom two levels in the most recent

annual corporate governance evaluation, or have experienced changes in trading methods, suspension of trading, delisted from the Taiwan Stock Exchange or the Taipei Exchange, or other circumstances deemed unsuitable for evaluation by the Corporate Governance Evaluation Committee within the most recent fiscal year and up to the publication date of the annual report: Not applicable.

6. For the Company is listed on the Taiwan Stock Exchange or the Taipei Exchange, if the average annual salary of the full-time non-management employees is less than NT\$500,000 in the most recent fiscal year: Not applicable.
7. Listed companies whose net income increased by more than ten percent in the most recent fiscal year, but the average annual salary of full-time non-management employees did not increase compared to the previous year: Not applicable.
8. Listed companies that experienced a decline in net income of more than ten percent and exceeding NT\$5 million in the most recent fiscal year, as well as an increase in the average remuneration per director (excluding remuneration for employees holding dual roles) of more than ten percent and exceeding NT\$100,000: Not applicable.

(III) If the circumstance in item 1 or 5 of the preceding point applies to the Company listed on the TWSE or the TPEx, it shall disclose the individual remuneration paid to each of its five most senior management personnel: None.

(IV) Please provide a comparative analysis of the total remuneration paid to the Company's Directors, Supervisors, General Manager, and Vice President in the last two years, both by the Company and all entities included in the consolidated financial statements. This analysis should present the remuneration as a proportion of each entity's net income in their respective financial statements. Additionally, please clarify the policies, standards, and composition of remuneration payments, the procedures for determining remuneration, and their correlation with operational performance and future risks:

1. The analysis of the total remuneration paid to Directors, Supervisors, General Manager, and Vice President of the Company and all companies included in the consolidated financial statements for the last two years, as a proportion of net income in individual or separate financial statements:

Title	Ratio of Total Remuneration to Net Income for 2022		Ratio of Total Remuneration to Net Income for 2023	
	The Company	All companies in the Financial Statements	The Company	All companies in the Financial Statements
Director	3.78%	4.48%	4.06%	4.87%
General Manager and Vice President	4.71%	6.09%	4.99%	6.63%

2. The policies, standards, and combinations of remuneration, along with the procedures for determining remuneration, and their relationship with business performance and future risks:
 - (1) Director: The remuneration for directors of the Company is governed by the Corporate Charter. In years where the company registers profits, up to 3% of the pre-tax net income, after deducting employee bonuses and director compensation, is allocated as director compensation. However, if the company has accumulated losses, provisions are made in advance to cover these deficits.
 - (2) The remuneration of the General Manager and Vice President: includes salary, bonuses, and employee compensation. Salary levels are determined based on the position held within the company, the responsibilities undertaken, and the contributions to the Company, with consideration given to industry standards. The distribution criteria for employee compensation adhere to the Corporate Charter, approved by the Board of Directors, and reported at Shareholders Meetings. The process of determining remuneration not only refers to the overall operational performance of the company, but also takes into account individual performance achievement rates and contributions to the company's performance, thereby providing reasonable compensation.
 - (3) The Company will periodically review the remuneration system based on actual operational conditions and relevant regulations to achieve a balance between sustainable operations and risk management. In summary, the policies and procedures for determining remuneration paid to Directors, Supervisors, the General Manager, and Vice President by the Company exhibit a positive correlation with operating performance.

IV. Implementation of Corporate Governance

(I) Operation of the Board of Directors:

1. The total of 5 meetings (A) were held in the fiscal year 2023 with the attendance of directors as follows:

Title	Name	Actual Attendance Times B	Number of times attended by proxy	Actual Attendance Rate (%) 【B/A】(Note 1)	Remarks
Chairman	Ming-Yang Wu	5	0	100%	—
Director	Ming-Jen Hung	5	0	100%	—
Director	Ming-Cheng Chung	5	0	100%	—
Director	Ming Sun	4	0	100%	Resigned on November 2, 2023
Director	Chin-Lan Huang	1	0	100%	Newly appointed on November 3, 2023
Independent Director	Chi-Shan Hung	5	0	100%	—
Independent Director	Tao-Min Chen	5	0	100%	—
Independent Director	Jun-An Chang	5	0	100%	—

Other mentionable items:

- I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the Company's response should be specified:

(I) Matters referred to in Article 14-3 of the Securities and Exchange Act:

Board Meeting Date (Session)	Content of the motion	All Independent Directors' opinions	Response of the opinions from Independent Directors by the Company
March 22, 2023 (First time in 2023)	<ol style="list-style-type: none"> 1. The Company's internal control system effectiveness assessment and the issuance of the internal control system statement for the fiscal year 2022. 2. The amendments to the Company's internal control-related measures (include Procedure for Acquisition and Disposal of Assets, Procedures for 	No opinion	Not applicable

	<p>Endorsements and Guarantees, Acquisition and Payment Cycle, Payroll and Personnel Cycle, Property, Plant, and Equipment Cycle, Procedure of Control Self-Assessment, The Regulations on the Property Management, Procedure of Stock Affairs Management, Corporate Governance Best Practice Principles, Sustainable Development Best Practice Principles, Approval Authority Table).</p> <ol style="list-style-type: none"> 3. Appointment of the Company's Auditing Accountant and Their Remuneration. 4. The Company Report on the Distribution of Employee Bonus and Directors' Compensation in 2022. 5. The Company Business Report and Financial Statements in 2022. 6. The Company Profits Distribution in 2022. 7. The Company Reports on the Distribution of Profits from Cash Dividends in 2022. 8. Release the Prohibition on the Company Directors from Participation in Competitive Business. 9. Acceptance of Shareholder Proposals Period. 10. Proposing the date, venue, purposes of convening, and related matters for the 2023 Annual Shareholders' Meeting of the Company. 		
June 15, 2023 (Second time in 2023)	<ol style="list-style-type: none"> 1. The certified public accountant provides non-assurance service items and their independence assessments, along with 	No opinion	Not applicable

	<p>the establishment of operational procedures.</p> <p>2. The amendments to the Company's internal control-related measures (Property, Plant, and Equipment, Approval Authority Table).</p> <p>3. The Company's application for a credit limit from the bank.</p>		
August 9, 2023 (Third time in 2023)	<p>1. The remuneration proposal for the internal control special project review in the Company.</p> <p>2. The amendments to the Company's internal control-related measures (Investment Cycle, management procedures compliance with International Accounting Standards).</p> <p>3. The Company's application for a credit limit from the bank.</p> <p>4. The Company's endorsement/guarantee case.</p> <p>5. Acquisition of subsidiaries - Cash Capital Increase Proposal for Ping Ho Materials Technology Co., Ltd.</p>	No opinion	Not applicable
September 12, 2023 (Fourth time in 2023)	<p>1. The Company's amendment to the Corporate Charter and internal control-related measures (Rules of Procedure for Shareholder Meetings).</p> <p>2. The Company's application for a credit limit from the bank.</p> <p>3. The Company's endorsement/guarantee case.</p> <p>4. Appointment of Corporate Governance Supervisor in the Company.</p> <p>5. Release the Prohibition on the Company Manager from Participation in Competitive Business.</p>	No opinion	Not applicable

	<p>6. The Company's proposed application for listing on the Innovation Board.</p> <p>7. Conducting a public offering for cash capital increase and issuing new shares before listing (OTC), with original shareholders waiving their priority rights.</p> <p>8. Filling one vacant seat for the Director of the Company through supplementary election.</p> <p>9. List of nominated director candidates.</p> <p>10. Drafting the agenda for the first extraordinary shareholders' meeting of the Company in 2023.</p>		
November 13, 2023 (The 5th Meeting of 2023)	<p>1. The Company's Budget and Operational Plan for the Year 2023.</p> <p>2. The Company's application for a credit limit from the bank.</p> <p>3. The Company's Consolidated Financial Statements for the third quarter of the year 2023.</p> <p>4. The Company's endorsement/guarantee case.</p> <p>5. Assessing the independence and suitability of the Certified Public Accountant for the Company for the Fiscal Year 2023.</p> <p>6. The Company's Audit Plan for the year 2023.</p> <p>7. The amendments to the Company's internal control-related measures (Cycle of Research and Development, standard operating procedures for handling Directors' requests).</p> <p>8. Review the Company's "Remuneration Committee Charter" and the "Director,</p>	No opinion	Not applicable

	<p>Functional Committee, and Manager Performance Evaluation and Compensation Method".</p> <p>9. The remuneration for the Directors and Managers of the Company.</p> <p>10. The Company's Manager Year-End Bonus for the Fiscal Year 2023.</p> <p>11. The Company's Self-assessment Report on the Corporate Governance Evaluation.</p> <p>12. Assessment of the Company's Financial Statements Compilation Capability.</p> <p>13. The Company's financial forecast for the Q4 of 2023 and the Q1 of 2024.</p> <p>14. The Company's "Statement of Internal Control during the Internal Control Review Period".</p> <p>15. The Company has entrusted the lead underwriter to handle the over allotment issue during the underwriting period.</p>		
--	---	--	--

(II) Other than the aforementioned matters, there are no recorded or documented resolutions at Board of Directors meetings in which the Independent Director expressed opposition or reservations: None.

II. The execution status of directors recusing themselves from conflict of interest matters should be detailed, including the director's name, the agenda item, reasons for recusal due to potential conflicts of interest, and their participation in the voting process:

Board Meeting Date	Name of Directors	Content of the motion	Reasons for recusal due to potential conflicts of interest	Involvement in voting
March 22, 2023	Ming-Yang Wu Ming-Jen Hung Ming-Cheng Chung Ming Sun	The Company Report on the Distribution of Employee Bonus and Directors' Compensation in 2022.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Directors Ming-Yang Wu, Ming-Jen Hung, Ming-Cheng Chung, and Ming Sun recused themselves in accordance with the law and did not participate in the discussion or voting of this matter. The remaining directors present

				unanimously approved the case without any objections.	
March 22, 2023	Chi-Shan Hung	Release the Prohibition on the Company Directors from Participation in Competitive Business.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Director Chi-Shan Hung recused himself in accordance with the law and did not participate in the discussion or voting of this matter. The remaining attending directors unanimously approved the case.	
September 12, 2023	Ming-Jen Hung	Release the Prohibition on the Company Manager from Participation in Competitive Business.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Director Ming-Jen Hung adhered to legal requirements by abstaining and refraining from participating in the discussion or voting of this matter. The remaining directors present unanimously approved the case without objection.	
November 13, 2023	Ming-Jen Hung Chi-Shan Hung Tao-Min Chen Jun-An Chang	The remuneration for the Directors and Managers of the Company.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Directors Ming-Jen Hung, Chi-Shan Hung, Tao-Min Chen, and Jun-An Chang each legally recused themselves and did not participate in the discussion and vote of this matter. The remaining attending directors passed the case without objection.	
November 13, 2023	Ming-Jen Hung	The Company's Manager Year-End Bonus for the Fiscal Year 2023.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Director Ming-Jen Hung adhered to legal requirements by abstaining and refraining from participating in the discussion or voting of this matter. The remaining directors present unanimously approved the case without objection.	

III. TWSE/TPEx-listed companies are required to disclose the evaluation cycle and period, scope of evaluation, evaluation method, and evaluation items of the self (or peer) evaluations

conducted by the Board of Directors, and to fill out “Implementation Status of Board Evaluations”:

Evaluation Cycle	Evaluation Period	Scope of evaluation	Evaluation Method	Evaluation content	Evaluation results
Execute once a year	January 1 to December 31, 2023	Board of Directors	Internal self-evaluation by the Board of Directors	There are a total of 45 measurement indicators for five major aspects, includes level of participation in company operations, the quality of Board of Directors' decisions, Board of Directors' composition and structure, appointment of Board of Directors and their continued development, and internal controls.	90 points
Execute once a year	January 1 to December 31, 2023	Individual Directors Members	Self-evaluation of the Board of Directors Members	There are a total of 23 measurement indicators for six major aspects, includes grasp of company targets and missions, understanding of the director's role and responsibilities, level of participation in company operations, internal relationship management and communication, director's specialty and continued development, and internal controls.	90 points
Execute once a year	January 1 to December 31, 2023	Audit Committee	Internal self-assessment of the Committee	There are a total of 22 measurement indicators for five major aspects, includes level of participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees and member selection, and internal controls.	92 points
Execute once a year	January 1 to December 31, 2023	Remuneration Committee	Internal self-assessment of the Committee	There are a total of 19 measurement indicators for four major aspects, includes level of participation in company operations, understanding of the responsibilities of functional committees, improvement of the decision-making quality of functional committees, composition of functional committees and member selection.	90 points
(I) The Company has concluded the self-assessment of the Board of Directors' performance for the fiscal year 2023 and submitted the evaluation results to the Board of Directors on					

March 12, 2024, as the basis for review and improvement.

IV. Evaluation of the objectives to strengthen the functions of the Board of Directors in the current and previous years (such as establishing an Audit Committee, enhancing information transparency, etc.) and assessment of their implementation status:

(I) Objective: The Company adheres to the principle of operational transparency, strengthens corporate governance, and continually enhances the professional competence of the Directors. The communication channel between the auditor and the governance units has been functioning well.

(II) Implementation Status:

1. The Company has established an Audit Committee, which reviews relevant proposals within its authority and submits them to the Board of Directors for resolution, thereby assisting the Board of Directors in fulfilling its supervisory duties.
2. The company engaged instructors from professional institutions to conduct courses on corporate governance and regulations, aiding directors in their continuous education. All directors complied with legal requirements regarding training hours for the year 2023, with a total training duration of 45 hours.
3. The accountant attends the Board of Directors irregularly and communicates with directors on important audit matters, audit conditions, key audit matters, and the latest legal revisions before each board meeting. In the year 2023, the accountant reported before the Board of Directors on four occasions and attended the annual shareholders' meeting as well as the first extraordinary shareholders' meeting.
4. The Company renewed its "Directors and Officers Liability Insurance" on March 23, 2024, and will continue to evaluate whether the insurance compensation amount and coverage range meet its needs.
5. The Company is dedicated to improving information transparency. In addition to appointing spokespersons and deputy spokespersons, we have assigned personnel responsible for public information disclosure and other related matters. Furthermore, our website features an investor section to ensure the timely update of company information, enabling investors to access relevant information about the Company in real-time.

Note1 : The actual attendance is calculated based on the number of times the Director actual attends during their tenure.

2. The total of 5 meetings held in the fiscal year 2023 with the attendance of independent directors at the board meetings is as follows:

Title	Name	Meeting Date				
		March 22, 2023	June 15, 2023	August 9, 2023	September 12, 2023	November 13, 2023
Independent Director	Chi-Shan Hung	V	V	V	V	V
Independent Director	Tao-Min Chen	V	V	V	V	V
Independent Director	Jun-An Chang	V	V	V	V	V

V: Attend in person; ②: Attend by proxy; X: Not attended.

(II) The operational status of the Audit Committee or the participation of supervisors in the Board of Directors:

Information on the operation status of the Audit Committee: The Audit Committee was established on March 3, 2020. The total of 5 meetings held in the fiscal year 2023 with the attendance of independent directors at the board meetings is as follows:

Title	Name	Actual Attendance Times (B)	Number of times attended by proxy	Actual Attendance Rate (%) (B/A) (Note 1, Note 2)	Remarks
Independent Director	Chi-Shan Hung	5	0	100%	Convenor
Independent Director	Tao-Min Chen	5	0	100%	—
Independent Director	Jun-An Chang	5	0	100%	—

Other mentionable items:

I. Audit Committee's Annual Priorities

1. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act.
2. Assessment of the effectiveness of the internal control system.
3. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, handling procedures for financial or operational actions of material significance, such as acquisition or disposal of assets, derivatives trading, extension of monetary loans to others, or endorsements or guarantees for others.
4. A matter bearing on the personal interest of a director.
5. A material asset or derivatives transaction.
6. A material monetary loan, endorsement, or provision of guarantee.
7. The offering, issuance, or private placement of any equity-type securities.
8. The hiring or dismissal of an attesting CPA, or the compensation given thereto.
9. The appointment or discharge of a financial, accounting, or internal auditing officer.
10. Annual financial reports and second quarter financial reports that must be audited and attested by a CPA, which are signed or sealed by the chairperson, managerial officer, and accounting officer.
11. Any other material matter so required by the company or the Competent Authority.

II. If any of the following circumstances occur, the dates of the meetings, sessions, contents of

motion, all independent directors' objections, reservations, or significant suggestions, and the Company's response to the Audit Committee should be specified:

(I) Matters referred to in Article 14-5 of the Securities and Exchange Act:

Audit Committee Date (Session)	Content of the motion	Audit Committee Resolution	Response of the opinions from Audit Committee by the Company
March 22, 2023 (The fourth time of the second term)	<ol style="list-style-type: none"> 1. The Company's internal control system effectiveness assessment and the issuance of the internal control system statement for the fiscal year 2022. 2. The amendments to the Company's internal control-related measures (include Procedure for Acquisition and Disposal of Assets, Procedures for Endorsements and Guarantees, Acquisition and Payment Cycle, Payroll and Personnel Cycle, Property, Plant, and Equipment Cycle, Procedure of Control Self-Assessment, The Regulations on the Property Management, Procedure of Stock Affairs Management, Corporate Governance Best Practice Principles, Sustainable Development Best Practice Principles, Approval Authority Table). 3. Appointment of the Company's Auditing Accountant and Their Remuneration. 4. The Company Business Report and Financial Statements in 2022. 5. The Company Profits Distribution in 2022. 6. Release the Prohibition on the Company Directors from Participation in Competitive Business. 	Passed without objection	Not applicable

	June 15, 2023 (The fifth time of the second term)	<ol style="list-style-type: none"> 1. The certified public accountant provides non-assurance service items and their independence assessments, along with the establishment of operational procedures. 2. The Company's internal control related method revision case (Property, plant, and equipment cycle, approval authority table). 	Passed without objection	Not applicable	
	August 9, 2023 (The sixth time of the second term)	<ol style="list-style-type: none"> 1. The Company's Consolidated Financial Statements for the second quarter of 2023. 2. The remuneration proposal for the internal control special project review in the Company. 3. The amendments to the Company's internal control-related measures (Investment Cycle, management procedures compliance with International Accounting Standards). 4. The Company's endorsement/guarantee case. 5. Acquisition of subsidiaries - Cash Capital Increase Proposal for Ping Ho Materials Technology Co., Ltd. 	Passed without objection	Not applicable	
	September 12, 2023 (The seventh time of the second term)	<ol style="list-style-type: none"> 1. The Company's amendment to the Corporate Charter and internal control-related measures (Rules of Procedure for Shareholder Meetings). 2. The Company's endorsement/guarantee case. 3. Release the Prohibition on the Company Manager from Participation in Competitive Business. 4. Conducting a public offering for cash capital increase and issuing new shares 	Passed without objection	Not applicable	

	before listing (OTC), with original shareholders waiving their priority rights.		
November 13, 2023 (The eighth time of the second term)	<ol style="list-style-type: none"> 1. The Company's Consolidated Financial Statements for the third quarter of the year 2023. 2. The Company's endorsement/guarantee case. 3. Assessing the independence and suitability of the Certified Public Accountant for the Company for the Fiscal Year 2023. 4. The Company's Audit Plan for the Year 2023. 5. The amendments to the Company's internal control-related measures (Cycle of Research and Development, standard operating procedures for handling Directors' requests). 6. The Company's Self-assessment Report on the Corporate Governance Evaluation. 7. Assessment of the Company's Financial Statements Compilation Capability. 8. The Company's financial forecast for the Q4 of 2023 and the Q1 of 2024. 9. The Company's "Statement of Internal Control during the Internal Control Review Period". 10. The Company has entrusted the lead underwriter to handle the over allotment issue during the underwriting period. 	Passed without objection	Not applicable
(II) Apart from the aforementioned matters, there were no other matters which were not approved by the Audit Committee but were approved by two-thirds or more of all directors: None.			

III. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

Audit Committee Date	Member Name	Content of the motion	Reasons for recusal due to potential conflicts of interest	Involvement in voting
March 22, 2023	Chi-Shan Hung	Release the Prohibition on the Company Directors from Participation in Competitive Business.	In cases involving personal interests, individuals should recuse themselves according to the law and abstain from participating in discussions and voting.	Member Mr. Chi-Shan Hung recused himself in accordance with the law and did not participate in the discussion or voting of this matter. The remaining attending members unanimously approved the case.

IV. Communications between the independent directors, the Company's chief internal auditor and CPAs (should include significant matters, methods, and resolutions regarding communication on the financial and operational status of the company):

- (I) The Internal Audit Supervisor: The audit supervisor submits the audit report (or tracking report) to the Audit Committee for review by the end of the month following the completion of audit items (or tracking items). In the year 2023, the audit supervisor attended five meetings of the Audit Committee and five meetings of the Board of Directors, engaging the communication with the Independent Directors and reporting the latest audit results in person.
- (II) Accountant: The accountant attended a total of 5 Audit Committee meetings and 5 Board of Directors meetings in 2023. Before each Board of Directors meeting, they communicated with the Independent Director regarding important audit matters, audit status, key audit matters, and updates on amendments to laws and regulations. The Independent Director had no comments on the aforementioned topics.

Note1 : If an Independent Director resigns before the end of the fiscal year, the resignation date should be noted in the Remarks column. The actual attendance rate (%) should then be calculated based on the number of Audit Committee meetings held during their tenure and their actual attendance.

Note2 : Before the end of the fiscal year, in case of a re-election of an Independent Director, both the new and former Independent Directors should be listed. In the Remarks column, it should be specified whether the Independent Director is former, newly-elected, or re-elected, along with the date of re-election. The actual attendance rate (%) should then be calculated based on the number of Audit Committee meetings held during their tenure and their actual attendance.

(III) The operation of corporate governance within the Company and its variances compared to the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies, along with the reasons for these differences:

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
I. Does the Company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”?	V		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies”. The information has been disclosed on the Company’s website.	None.
II. Shareholding structure & shareholders’ rights (I) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(I) In addition to appointing a spokesperson and deputy spokesperson, The Company also engages the professional Stock Affairs agency "Grand Fortune Securities Co., Ltd." to address shareholders' concerns and suggestions. In the event of legal matters,	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares? (III) Does the company establish and execute the risk management and firewall system within its affiliated?	V		<p>professional lawyers or legal personnel will be enlisted for assistance.</p> <p>(II) The Company adheres to regulations by monthly reporting changes in share ownership among insiders, ensuring a comprehensive understanding of the shareholding status of major shareholders.</p> <p>(III) The Company clearly delineates the responsibilities for asset and financial management between the Company and its affiliates. In cases where there are business transactions between the Company and affiliated enterprise, they are treated as independent third parties. The Company has established relevant protocols such as "Management Measures for Transactions with Related Parties, Specific</p>	<p>None.</p> <p>None.</p>

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		<p>Companies, and Group Enterprises" and "Supervision and Governance of Subsidiaries" to ensure compliance and implement risk control and firewall mechanisms for affiliated enterprises.</p> <p>(IV) The Company has established "Operating Procedures for Internal major information processing and Prevention of insider trading" and the internal rules to forbid insiders trading on undisclosed information.</p>	None.
III. Composition and Responsibilities of the Board of Directors (I) Does the Board of Directors develop a diversified policy, concrete management objectives, and implement them effectively?	V		<p>(I) The "Corporate Governance Best Practice Principles" established by the Company clearly outlines the diversity policy for directors and implements a candidate nomination system for the Company's</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?	V		<p>directors (including Independent Directors). The Board of Directors comprises industry elites and financial experts, in addition to shareholders. Among the seven directors, one is female.</p> <p>(II) In addition to legally establishing a Remuneration Committee and an Audit Committee, The Company has also set up an Employee Welfare Committee. The establishment of other functional committees will be evaluated as needed in the future.</p>	None.
(III) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and	V		<p>(III) The Company has established a "Board of Directors Performance Evaluation Method," and the evaluation results for the Board of Directors for the Year 2023 were reported at the board meeting on March 12, 2024. The operation of the Board of Directors is</p>	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
referenced when determining the remuneration of individual directors and nominations for reelection?			carried out in accordance with the "Regulations Governing Procedure for Board of Directors Meetings," and the performance of the Board of Directors remains satisfactory. Additionally, the Company has established a "Director, Functional Committee, and Manager Performance Evaluation and Compensation Method" Relevant procedures are conducted according to the performance evaluation standards outlined in the method. The performance and remuneration of directors and managers will be submitted to the Remuneration Committee for deliberation.	
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The Company adheres to the "Corporate Governance Best Practice Principles," conducting annual	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			assessments of the independence and suitability of the accountants. The attesting accountant provides the "Independence Statement," a practice reviewed and approved by the Board of Directors on March 12, 2024. It was confirmed that the attesting accountant meets the Company's standards for independence and suitability, rendering them fully qualified to serve in their role.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
IV. Does the Company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		The company decided through the Board of Directors on September 12, 2023, to establish a Corporate Governance Officer responsible for coordinating and implementing corporate governance-related matters.	None.
V. Does the company establish a communication channel and build a designated section on its website for	V		The Company prioritizes communication with stakeholders and has established various communication channels. There has a "Stakeholder Area" on the Company website and assigned	None.

Evaluation Item	Implementation Status			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation	
stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?			relevant personnel to address important corporate social responsibility issues raised by stakeholders adequately.	
VI. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates the professional Stock Affairs agency "Stock affairs agent department of Grand Fortune Securities Co., Ltd." to handle shareholder affairs.	None.
VII. Information Disclosure (I) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?	V		(I) The Company has set up a website and regularly discloses financial and corporate governance-related information in the "Investor Relations" section of the website, providing shareholders and stakeholders with relevant information for reference.	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V		(II) The Company has established a website and assigned an appropriate person to handle information collection and disclosure. The Company has established a spokesman system, whereby a designated department is responsible for collecting company information, and the spokesperson will uniformly make public statements.	None.
(III) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation results, before the	V		(III) (The Company, as an emerging stock market-listed entity, has complied with regulations by announcing and declaring the financial report for the year 2023 within four months after the fiscal year-end. Additionally, it will publish the second-quarter financial report within the prescribed deadline.	Announcements are all made within the legal deadlines, and the possibility of advancing the

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
prescribed time limit?			However, it is currently unable to announce and declare the annual financial report within two months after the fiscal year-end. The Company will continue to study and endeavor to advance the financial report declaration schedule in the future.	announcement will be gradually evaluated.
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation	V		(I) Status of employee rights and employee wellness: The Company has legally established a Employee Welfare Committee and implemented a pension system. The Company has always treated employees with integrity, protecting their legal rights and interests in accordance with the Labor Standards Act, and views employees as the most important assets of the Company. The Company has established channels for employee communication and encourages direct communication between employees and	None.

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>management.</p> <p>(II) Investor Relations:</p> <p>The Company's website features an Investor Relations section where financial and corporate governance-related information is regularly disclosed.</p> <p>(III) Supplier Relations:</p> <p>The Company upholds the principle of integrity and mutual benefit with suppliers and carefully evaluates related transactions and credit conditions.</p> <p>(IV) Rights of Stakeholders:</p> <p>The Company's directors who have personal interests in matters discussed during board meetings have voluntarily recused themselves and abstained from voting.</p> <p>(V) Directors' and Supervisors' training records:</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>The Company schedules annual regular refresher courses for the Directors and periodically shares information about professional refresher courses organized by external entities with them. The attendance status of each Director in these courses is then announced on the Market Observation Post System.</p> <p>(VI) Implementation of Risk Management Policies and Risk Evaluation Measures:</p> <p>The Company has established management protocols for important management indicators and implements to them accordingly.</p> <p>(VII) Implementation of Customer Relations Policies:</p> <p>The Company strictly adheres to the contracts and related regulations signed with customers, ensuring their</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
			<p>respective rights.</p> <p>(VIII) Purchasing Insurance for Directors and Supervisors:</p> <p>The Company has obtained insurance coverage of USD 1 million from a property insurance company. The amount of insurance, premiums, and other policy details were reported to the Board of Directors on March 12, 2024.</p>	
<p>IX. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures: Not applicable.</p>				

(IV) If the company has established a Remuneration Committee or a Nomination Committee, its composition, responsibilities, and operations should be disclosed:

1. Composition of the Remuneration Committee:

April 11, 2024

Identity (Note 1)	Name Qualification	Professional Qualifications and Experience (Note 2)	Independence Criteria (Note 3)	Number of positions in other public companies as a member of Remuneration Committee
Independent Director (Convenor)	Chi-Shan Hung	<p>Serving as the convener of the Audit Committee and a member of the Remuneration Committee for the Company, an Independent Director for Hua Yu Lien Development Co., Ltd., and a Director for Flexium Interconnect Inc. Previously served as the Commissioner of National Taxation Bureau of Kaohsiung, Ministry of Finance and an Consultant of Kaohsiung Certified Public Accountants Association. With over five years of experience in finance, accounting, and the required business operations, specializing in financial and accounting affairs.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises. He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	1

Independent Director	Tao-Min Chen	<p>Served as a member of the Audit Committee and Remuneration Committee for the Company, and has previously held positions as a Senior Executive Officer of Investigation Bureau in Ministry of Justice, with over five years of experience in business, legal affairs, and company operations necessary for the role, capable of providing timely professional legal opinions for the Company.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises. He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	0
Independent Director	Jun-An Chang	<p>As a member of the Audit Committee and Remuneration Committee of the Company, as well as the Chairman of Ace Carbon Reduction Tech Co., Ltd. He brings over five years of work experience necessary for company operations. With expertise in the field of chemical engineering, and offer timely professional opinions on R&D and process technology for the Company.</p>	<p>As an Independent Director, he meets the criteria for independence, including but not limited to, neither himself, his spouse, nor any immediate family member up to the second degree of kinship has served as a Director, supervisor, or employee of the Company or its affiliated enterprises. He doesn't hold any shares of the Company nor served as a Director, supervisor, or employee of a company that has a specific relationship with the Company. He has not received any remuneration for providing business, legal, financial, accounting, or other services to the Company or its affiliates in the past two years.</p>	0

Note1 : Please specify in the table the relevant years of work experience, professional qualifications, and independence of each Remuneration Committee member. Identify whether they are an Independent Director or Others (if they are the convener, please add a note).

Note2 : Professional Qualifications and Experience: Describe the professional qualifications and experience of each member of the Remuneration Committee.

Note3 : Independence Status: The members of the Remuneration Committee are in compliance with independence criteria, including but not limited to whether they, their spouse, or relatives within two degrees of kinship serve

as Directors, supervisors, or employees of the Company or its affiliated enterprises. The extent of shareholding by themselves, their spouse, or relatives within two degrees of kinship (or held under others' names); whether they hold positions in companies with specific relationships with the Company (referencing Article 6, Section 1, Paragraph 5-8 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange), and the remuneration received for business, legal, financial, or accounting services provided to The Company or its affiliated enterprises in the last two years.

Note4 : Please refer to the best practice examples on the Corporate Governance Center website of the Taiwan Stock Exchange for the disclosure method.

2. Authority of the Remuneration Committee:

- (1) Periodically review this regulation and propose revisions as necessary.
- (2) Establish and periodically review the policy, system, standards, and structure for the performance evaluation and remuneration of the Company's directors and managers.
- (3) Periodically evaluate the content and amount of remuneration for the directors and managers of the Company.

3. Operations of the Remuneration Committee:

- (1) The Remuneration Committee of the Company comprises three members, all of whom are Independent Directors. Details about the members can be found in "II. Information of Directors, Supervisors, General Manager, Vice President, Assistant Vice President, and Management Team from each department and branches (1) Information of Directors and Supervisors".
- (2) The term of this committee: from June 29, 2022, to June 14, 2025. In the year 2023, a total of 2 meetings (A) were held. The qualifications of the committee members and their attendance are as follows:

Title	Name	Actual Attendance (B)	Number of times attended by proxy	Actual attendance rate (%) (B/A)	Remarks
Independent Director	Chi-Shan Hung	2	0	100%	Convenor
Independent Director	Tao-Min Chen	2	0	100%	—
Independent Director	Jun-An Chang	2	0	100%	—

Other mentionable items:

- I. If the Board of Directors decides not to adopt or amend the recommendations of the Remuneration Committee, the board should specify the dates of the meetings, sessions, contents of motion, the result of the board's resolution, and the company's response to the opinion of the Remuneration Committee (if the remuneration approved by the Board of Directors exceeds the recommendation of the Remuneration Committee, the differences and reasons should be stated): None.
- II. The decisions made by the Remuneration Committee should be documented. In cases where a member expresses dissenting or reserved opinions, which are recorded or provided in writing, the minutes of the Remuneration Committee should specify the dates of the meetings, sessions, contents of motion, all members' opinions and response: None.
- III. The remuneration committee shall exercise the care of a good administrator in faithfully performing the official powers listed below:
 - (I) Establishing and regularly reviewing performance evaluation standards, annual and long-term performance goals for directors and managers, as well as policies, systems, standards, and structures for remuneration.
 - (II) Periodically assess and establish the remuneration for directors and managers, determining the content and amount of their individual remuneration based on the results of performance evaluation standards.

4. If the company has established a Nomination Committee, its composition, responsibilities, and operations should be disclosed: The Company has not established a Nomination Committee.

(V) The differences and reasons between implementation status of Sustainable Development and Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies:

Evaluation Item	Implementation Status (Note 1)		Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	
I. Does the company possess a governance framework aimed at advancing sustainable development, and has it established a dedicated (or part-time) unit for this purpose, managed by senior executives authorized and overseen by the Board of Directors? (TWSE/TPEx listed companies are required to report on their implementation status, rather than adherence or interpretation.)	V	The Company has not yet established a dedicated (or part-time) unit to promote sustainable development.	The establishment of a dedicated (or part-time) unit for promoting sustainable development will depend on the development needs of the company and regulatory requirements in the future.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
II. Does the company assess Environmental, Social, and Governance risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies? (Note 2) (TWSE/TPEX listed companies are required to report on their implementation status, rather than adherence or interpretation.)	V		<p>The company has formulated the "Sustainable Development Best Practice Principles", conducted related assessments on its operational activities, and established relevant internal control methods and norms based on the principle of materiality. This ensures the provision of a safe working environment and the company's commitment to environmental responsibility and adherence to ethical norms in business operations. Furthermore, it continues to enhance and review the effectiveness of its implementation efforts. The risk management policies or strategies are outlined as follows:</p> <p>1. Environmental Aspect</p> <p>The Company operates in the wastewater treatment industry. To uphold environmental protection, in addition to effectively achieving "energy-saving", "waste reduction", and "recycling" in our core green initiatives, we are dedicated to conserving energy, reducing carbon emissions, and recycling waste. We aim to minimize paper usage in operations, regulate indoor office temperatures, and ensure compliance with environmental</p>	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<p>regulations to achieve efficient management and results in energy conservation and waste reduction.</p> <p>2. Social Aspect</p> <ul style="list-style-type: none"> (1) Conduct information security training sessions for employees to enhance their awareness of information security periodically, thereby reducing the risk of company and client data leakage. (2) The internal critical systems are protected by firewalls and isolated from the external internet, thus enhancing network security and mitigating the risk of external malicious intrusions and attacks. (3) Regularly convene meetings of the employee welfare committee and labor-management meetings to facilitate communication with employees, and provide timely guidance on laws and regulations to prevent labor disputes. Employees can submit suggestions through communication channels such as meetings or interviews, fostering a 	

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
			<p>collaborative environment where the company works with employees to cultivate a harmonious and positive labor relationship.</p> <p>3. Governance Aspect</p> <ul style="list-style-type: none"> (1) Training courses are arranged for directors to provide them with insights into changes in relevant laws and policies every year. (2) To procure directors' liability insurance for directors, reducing the risk of significant losses or litigation. (3) Establish communication channels including contact persons and email addresses, ensuring proactive communication. The spokesperson will handle and be responsible for responding to important issues. 	

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
III. Environmental Issues				
(I) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		<p>(I) The Company operates in the wastewater treatment industry and has established a reporting mechanism in compliance with environmental laws and regulations. It regularly reviews relevant procedures and submissions to ensure compliance with current legal requirements as they evolve. Additionally, the Company has established a Quality Management System in accordance with ISO 9001 standards and has successfully passed verification.</p>	None.
(II) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>(II) The Company has secured relevant patents for the recycling and reuse of acidic wastes, thus mitigating environmental pollution through the reuse process.</p>	None.
(III) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		<p>(III) The Company is deeply concerned about climate change and is dedicated to mitigating its effects. Apart from its involvement in acidic wastes recovery and recycling operations, it actively promotes energy-saving and carbon</p>	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(IV) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		<p>reduction activities through its management units. Furthermore, it plans to sustain its investment in industry-academia collaboration to enhance wastewater treatment efficiency and diminish environmental pollution. These efforts aim to reduce the company's environmental footprint across multiple fronts.</p> <p>(IV) The Company operates in the wastewater treatment industry, meticulously recording and submitting all related waste treatment volumes to downstream discharge units. Additionally, it periodically promotes key energy conservation and carbon reduction initiatives, such as advocating office paper recycling and reuse, transitioning to paperless operations, and utilizing solar power generation.</p>	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
IV. Social Issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		<p>(I) The Company adheres to relevant labor laws and respects internationally recognized basic labor rights principles. It has formulated the "Sustainable Development Best Practice Principles" and developed internal management policies and procedures accordingly. These measures aim to safeguard the rights of employees, including adherence to statutory working hours, compliance with legal wages and benefits, and the provision of humane and non-discriminatory treatment.</p> <p>(II) The Company has implemented various measures such as work rules, salary and attendance management policies, and assessment management procedures to ensure that employees understand relevant labor laws and their basic rights. During annual employee performance evaluations, supervisors take into account colleagues' daily performance as part of the overall assessment.</p>	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
(III) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(III) The Company organizes education and training courses periodically to ensure that employees have a comprehensive understanding of operational tasks and to promote knowledge and adherence to work safety regulations during these sessions. Additionally, all employees undergo health examinations every two years to ensure a safe and healthy work environment. The Company has not encountered any incidents of fire or occupational accidents in the past fiscal year.	None.
(IV) Does the company provide its employees with career development and training sessions?	V		(IV) The Company designs capability development programs tailored to employee needs according to job categories and position requirements. Supervisors and senior colleagues from the respective units organize internal or external training courses to assist new employees in enhancing their career capabilities and identifying future development directions.	None.
(V) Do the company's products and services	V		(V) The Company operates in the wastewater treatment	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?			industry, adhering to environmental regulations, and regularly reviews the related reporting operations to ensure compliance with current legal requirements as laws evolve. The Company has established an ISO 9001 Quality Management System and successfully passed verification. Additionally, the company's website features an investor section, offering a communication channel for both consumers and investors.	
(VI) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or labor and human rights? If so, describe the results.	V		(VI) The Company conducts regular evaluations of suppliers and assesses the environmental impact of procurement activities. It also requires key raw material suppliers to provide a Corporate Social Responsibility Commitment. In the event of any violations by suppliers of relevant environmental, Occupational Safety and Health, or Labor Rights regulations, the Company will assess the severity of the violation and reconsider the terms and possibilities of cooperation.	None.

Evaluation Item	Implementation Status (Note 1)			Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies
	Yes	No	Abstract Explanation	
V. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	V		The Company will adhere to internationally recognized report preparation standards and follow the schedule outlined in the "New Corporate Governance Blueprint" for the preparation of sustainability reports in the future.	The Company has not compiled a sustainability report but is gradually implementing it in accordance with legal requirements.
VI. If the company has its own sustainable development principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies," please describe their operation and differences from the set principles: The Company has established the "Sustainable Development Best Practice Principles" to strengthen the implementation of corporate social responsibility and regularly reviews the implementation situation based on these principles for improvement.				
VII. Other important information that contributes to understanding the implementation status of sustainable development: None.				

Note1 : If "Yes" is checked under implementation, please describe the key policies, strategies, and measures and results adopted. If "No" is checked under implementation, please give reasons and describe relevant strategies and measures to be adopted in the future under the "Differences and Reasons for Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies" column.

Note2 : The materiality principle refers to environmental, social, or corporate governance issues that have a material impact on the investors or other stakeholders of the company.

Note3 : Please refer to the best practice examples on the Corporate Governance Center website of the Taiwan Stock Exchange for the disclosure method.

(VI) Implementation of Climate-Related Information

Item	Implementation status
1. Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	<p>The Board of Directors of the Company serves as the supervisory and governance body for climate-related and sustainability issues, and assigns a sustainable development promotion team to be responsible for climate and sustainability major issue management projects, including taking inventory and reviewing major issue management policies, proposing optimization and improvement suggestions, and establishing diverse stakeholder relationships. communication channels, regularly integrate suggestions from stakeholders, determine the type and impact of their opinions, formulate countermeasures or response policies, and report to the Board of Directors.</p> <p>In addition, the company has set up a sustainable development promotion group as the responsible unit for promoting sustainable development. The CEO serves as the leader of the sustainable development promotion group. It is divided into three groups: corporate governance, environment, and society. The heads of relevant departments serve as each working group. Leaders are responsible for the promotion and execution of major themes and projects related to the working group, integrating sustainable development strategies into daily operations, implementing the sustainable spirit of continuous improvement and advancement, and regularly reporting implementation results to the Board of Directors on a year basis.</p>
2. Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	It has not been constructed yet.
3. Describe the financial impact of extreme weather events and transformative actions.	It has not been constructed yet.
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The company's sustainable development promotion team will identify climate-related impacts based on the IFRS S2 climate-related disclosure framework. It will provide a comprehensive assessment and consideration of climate change issues to the company's management and report to the Board of Directors .
5. If scenario analysis is used to assess resilience to	It has not been constructed yet.

Item	Implementation status
climate change risks, the scenarios, parameters, assumptions, analysis factors and major financial impacts used should be described.	
6. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	It has not been constructed yet.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	It has not been constructed yet.
8. If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	It has not been constructed yet.
9. Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan.	Not applicable.

(VII) The differences and reasons between Fulfillment of Ethical Corporate Management and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies:

Evaluation Item	Implementation Status		Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	
I. Establishment of ethical corporate management policies and programs (I) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?	V		(I) The Company conducts its business activities based on the principle of integrity. To uphold integrity in its operations and proactively prevent dishonest behavior, the Company has developed the "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct." These measures aim to foster a sustainable operational environment. Both the Board of Directors and management are committed to actively
			None.

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies"?	V		<p>implementing the integrity operating policy and regularly educating directors on relevant integrity management regulations.</p> <p>(II) The Company's "Procedures for Ethical Management and Guidelines for Conduct" specify preventive measures for business activities with a higher risk of dishonest behavior within the scope of business. These measures are in accordance with Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other relevant guidelines. Relevant units are required to fully implement these measures, and they are subject to periodic audits by the auditing units.</p>	None.
(III) Does the company provide clearly the operating	V		(III) The Company clearly outlines the practices of	None.

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?			integrity management and prevention schemes against dishonest behaviors in relevant operating standards such as the "Fulfillment of Ethical Corporate Management", "Procedures for Ethical Management and Guidelines for Conduct" and "Work Rules". These include operational procedures, behavior guides, whistleblowing systems, punishment and appeal systems, all of which are effectively implemented.	
II. Fulfill operations integrity policy (I) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(I) The Company mandates primary raw material suppliers to provide a Corporate Social Responsibility Commitment. In the event of any dishonest conduct, the Company reserves the right to terminate the transaction.	None.

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
(II) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?	V		(II) The Company formulated the "Fulfillment of Ethical Corporate Management" and "Procedures for Ethical Management and Guidelines for Conduct" at the board of directors meeting on March 20, 2020. The Audit Office was tasked with implementing the relevant policies. The status of Ethical management implementation for the Year 2023 was reported at the Board of Directors meeting on March 12, 2024.	None.
(III) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(III) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" and the "Regulations Governing Procedure for Board of Directors Meetings" to regulate the handling details of conflicts of interest.	None.
(IV) Does the company have effective accounting and	V		(IV) To ensure the implementation of honest business	None.

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits? (V) Does the company regularly hold internal and external educational trainings on operational integrity?			operations, the Company has established effective accounting and internal control systems. The Company's internal auditing unit regularly audits the compliance of these systems, prepares audit reports for the Board of Directors, and has not discovered any internal control deficiencies that violate honest business operations. (V) The Company's Board of Directors regularly invites external specialists to conduct corporate governance courses at the Company, and the senior management of the Company provides guidance on the related regulations of integrity management to each director before Board of Directors meetings.	
III. The Company's Whistleblowing System				

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
(I) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?	V		(I) The Company has established a clear whistleblowing system in its "Procedures for Ethical Management and Guidelines for Conduct", and there is a whistleblowing channel in the stakeholder section on the company's website. The company assigns appropriate dedicated personnel to handle reports regarding the accused parties.	None.
(II) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(II) As per Article 21 of the "Procedures for Ethical Management and Guidelines for Conduct", there is a confidentiality mechanism implemented for handling whistleblowing cases commitment to protecting, and from any improper treatment resulting from their whistleblowing activities.	None.
(III) Does the company provide proper whistleblower protection?	V		(III) The Company has a designated person in charge of handling whistleblowing cases, who is also responsible	None.

Evaluation Item	Implementation Status			Deviations from Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and Reasons
	Yes	No	Abstract Explanation	
			for maintaining the confidentiality of the whistleblower's identity.	
IV. Strengthening information disclosure Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and Market Observation Post System?	V		The Company has established the "Fulfillment of Ethical Corporate Management" and disclosed it on the company's website and the Market Observation Post System. A dedicated unit is responsible for promoting related policies of ethical management.	None.
V. If the company has established the ethical corporate management policies based on the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the policies and their implementation: There have been no differences.				
VI. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.				

(VIII) If a company has formulated corporate governance guidelines and relevant regulations, the methods of inquiry should be disclosed: The

rules established by the company are not only disclosed on the Market Observation Post System in accordance with the requirements of the competent authority but are also made available in a dedicated section for investors on the company's website, enabling investors to inquire about the related corporate governance rules.

- (IX) Other important information that can enhance understanding of the corporate governance operation: The Company's continuous efforts to enhance corporate governance practices and ensures timely disclosure of corporate governance information, simultaneously on both the Market Observation Post System and the Company's corporate website.

(X) Internal Control Systems:

1. Internal Control Statement:

Ping Ho Environmental Technology Co., Ltd.

Internal Control System Statement

Date: March 12, 2024

The Company declares the following based on the results of its self-assessment of the internal control system for the year 2023:

- I. The Company acknowledges that it is the responsibility of the Board of Directors and management to establish, implement, and maintain an internal control system. The Company has already established such a system. Its purpose is to provide reasonable assurance of achieving objectives such as the effectiveness and efficiency of operations (including profitability, performance, and asset security), reliable, timely, transparent reporting, and compliance with relevant norms, regulations, and laws.
- II. Internal control systems inherently have limitations. Regardless of how well-designed they are, they can only reasonably assure the achievement of the above three objectives. Moreover, the effectiveness of internal control systems may change with changes in the environment and circumstances. However, the Company's internal control system includes a self-monitoring mechanism. When any deficiencies are identified, the Company takes immediate corrective action.
- III. The Company assesses the effectiveness of its internal control system's design and execution based on the assessment items stipulated in the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "Regulations"). The internal control system assessment criteria adopted by the "Regulations" are divided into five components based on the management control process: 1. Control Environment, 2. Risk Assessment, 3. Control Activities, 4. Information and Communication, and 5. Monitoring Activities. Each component includes several items. Please refer to the "Regulations" for the aforementioned items.
- IV. The Company has already adopted the aforementioned internal control system judgment items to evaluate the design and effectiveness of the internal control system.
- V. Based on the aforementioned evaluation results, the Company believes that its internal control system (including supervision and management of its subsidiaries) as of December 31, 2023, is effectively designed and executed to ensure the achievement of objectives such as understanding the effectiveness and efficiency of operations, reliable and timely reporting, transparency, and compliance with relevant regulations and laws. Therefore, it reasonably ensures the attainment of these objectives.
- VI. This statement will serve as a major component of the Company's annual report and prospectus, and will be publicly disclosed. If the information disclosed publicly as mentioned above involves illegality such as falsehood or concealment, it will incur legal liabilities under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. This Statement was approved by the Company's Board of Directors on March 12, 2024, with 7 directors present, none opposed, and all concurring with the contents of this Statement. This declaration is hereby made.

Ping Ho Environmental Technology Co., Ltd.

Chairman: Ming-Yang Wu

General Manager: Hung-Chieh Huang

2. Those who entrust accounting professionals with the special audit of internal control systems should disclose the Auditors' Report:

Internal Control System Review Assurance Report

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

The attached Statement dated November 13, 2023, from Ping Ho Environmental Technology Co., Ltd., confirms that its internal control system concerning external financial reporting and asset security was effectively designed and implemented from April 1, 2023, to September 30, 2023. This statement has undergone a thorough review by our accounting firm, concluding with a reasonable level of assurance.

Subject, Subject Information and Applicable Standards

The subject and subject information of this assurance engagement are the design and implementation of Ping Ho Environmental Technology Co., Ltd.'s internal control system related to external financial reporting and asset security from April 1, 2023, to September 30, 2023. Additionally, the Statement issued by Ping Ho Environmental Technology Co., Ltd. on November 13, 2023, stating that its internal control system related to external financial reporting and asset security was effectively designed and implemented (hereinafter collectively referred to as the "Assurance Subject").

The criteria used to measure or assess the aforementioned assurance subject are the evaluation items for internal control system effectiveness outlined in the "Regulations Governing Establishment of Internal Control Systems by Public Companies".

Inherent Limitation

Due to the inherent limitations of any internal control system, the aforementioned internal control system of Ping Ho Environmental Technology Co., Ltd. may still fail to prevent or detect errors or fraud that have already occurred. Moreover, future environmental changes may diminish the degree of adherence to the internal control system, hence an effective internal control system in this period does not necessarily imply its effectiveness in the future.

The responsibility of the management

The responsibility of the management lies in establishing an internal control system in accordance with relevant laws and regulations, constantly reviewing it to maintain the design and implementation of the internal control system effectively, and issuing the Statement of the internal control system after evaluating its effectiveness.

The responsibility of the accountant

The responsibility as accountants is to perform necessary procedures to obtain reasonable

assurance for the subject matter in accordance with the "Regulations Governing Establishment of Internal Control Systems by Public Companies" and Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information". This includes evaluating whether the subject matter complies with applicable standards and is adequately presented in all significant aspects.

Independent and Quality Management Regulations

The Accountant and their affiliated accounting firm have followed the regulations concerning independence and other ethical guidelines outlined in the Norm of Professional Ethics for Certified Public Accountants. The fundamental principles of this norm include integrity, objectivity, professional competence and due care, confidentiality, and professional behavior. Furthermore, the accounting firm adheres to quality management guidelines, maintaining a comprehensive quality management system that includes written policies and procedures related to compliance with professional ethics, professional standards, and applicable laws.

Summary of Procedures Conducted

The Accountant conducts necessary procedures based on professional judgment to plan and execute the acquisition of evidence relevant to the assurance target. The procedures conducted encompass understanding the company's internal control system, evaluating the management's assessment process of the overall effectiveness of the internal control system, testing and assessing the effectiveness of the internal control system's design and execution concerning external financial reporting and asset protection, along with any additional review procedures deemed necessary by the Accountant. The Accountant believes that the audit conducted provides a reasonable basis for the conclusions expressed.

Assurance Conclusion

Based on the Accountant's opinion and assessment criteria for the effectiveness of the internal control system as per the "Regulations Governing Establishment of Internal Control Systems by Public Companies", Ping Ho Environmental Technology Co., Ltd.'s internal control system related to external financial reporting and asset security maintenance was effective in all significant aspects from April 1, 2023, to September 30, 2023. The Statement issued by Ping Ho Environmental Technology Co., Ltd. on November 13, 2023, affirming the effectiveness of its internal control system related to external financial reporting and asset security maintenance, is deemed appropriate in all major respects.

Emphasis of Matter Paragraph

As stated in Article 5 of Ping Ho Environmental Technology Co., Ltd.'s Internal Control System Statement, the company has established operational procedures for the acquisition or disposal of assets, derivative commodity transactions, management of loans made to others, management of endorsements or guarantees made on behalf of others, management of related party transactions, management of financial statement preparation processes, and supervision and management of its subsidiaries, in accordance with the "Regulations Governing the Acquisition and Disposal of Assets by

Public Companies", "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies", "Regulations Governing Establishment of Internal Control Systems by Public Companies", and relevant statutory regulations. The Accountant did not revise the assurance conclusion due to this.

Ernst & Young Taiwan

Securities and Futures Institute approves the public issuance of the company's financial statements.

Certified Order No.

Number: Financial-Supervisory-Securities-Auditing-1010045851 of the Financial Supervisory Commission

Order No.

Financial-Supervisory-Securities-Auditing-11003
52201 of the Financial Supervisory Commission

Fang-Wen Lee

Accountant:

Kuo-Sen Hung

November 22, 2023

(XI) As of the end of the most recent fiscal year and up to the printing date of the annual report, any legal penalties imposed on the company and its insiders, or penalties issued by the company against its insiders for violating the provisions of the internal control system, where such penalty results may have a significant impact on shareholder's equity or the price of securities, should be clearly stated with the content of the penalty, main deficiencies, and improvement situations: None.

(XII) Important resolutions of the Shareholders Meeting and Board of Directors for the most recent year and up to the date of the annual report printing:

1. Important Resolution at the Shareholders Meeting:

Date	Session	Resolution Contents/Resolution Results/Implementation Status
June 15, 2023	Shareholders' Annual Meeting	<p>(I) Acknowledge the Company Business Report and Financial Statements in 2022. Resolution Results: The proposal was approved by the attending shareholders. Implementation Status: The resolution results have been adhered to.</p> <p>(II) Acknowledge the Company Profits Distribution in 2022. Resolution Results: The proposal was approved by the attending shareholders. Implementation Status: April 21, 2023, is set as the ex-dividend date, with complete distribution expected by May 11, 2023. (Cash Dividend of \$4 per share).</p> <p>(III) The Company's amendment to the "Procedure for Acquisition and Disposal of Assets". Resolution Results: The proposal was approved by the attending shareholders. Implementation Status: The resolution results have been adhered to.</p> <p>(IV) The Company's amendment to the "Operational Procedures for Endorsements and Guarantees". Resolution Results: The proposal was approved by the attending shareholders. Implementation Status: The resolution results have been adhered to.</p> <p>(V) Release the Prohibition on the Company Directors from</p>

		<p>Participation in Competitive Business.</p> <p>Resolution Results: The proposal was approved by the attending shareholders.</p> <p>Implementation Status: The resolution results have been adhered to.</p>
November 3, 2023	Extemporaneous Shareholders' Meeting	<p>(I) The Company's amendment to the "Corporate Charter".</p> <p>Resolution Results: The proposal was approved by the attending shareholders.</p> <p>Implementation Status: The resolution results have been adhered to.</p> <p>(II) The Company's amendment to the "Rules of Procedure for Shareholder Meetings".</p> <p>Resolution Results: The proposal was approved by the attending shareholders.</p> <p>Implementation Status: The resolution results have been adhered to.</p> <p>(III) Conducting a public offering for cash capital increase and issuing new shares before listing (OTC), with original shareholders waiving their priority rights.</p> <p>Resolution Results: The proposal was approved by the attending shareholders.</p> <p>Implementation Status: The resolution results have been adhered to.</p> <p>(IV) Filling one vacant seat for the Director of the Company through supplementary election.</p> <p>List of Elected Directors:</p> <p>Chin-Lan Huang</p> <p>Implementation Status: The election results have been implemented, and the change registration was completed on November 13, 2023.</p>

2. Important Resolution of the Board of Directors:

Date	Resolution Contents
March 22, 2023	<p>(I) The Company's internal control system effectiveness assessment and the issuance of the internal control system statement for the fiscal year 2022.</p> <p>(II) The revision proposal for the Company's internal control measures.</p>

Date	Resolution Contents
	<p>(III) Appointment of the Company's Auditing Accountant and Their Remuneration.</p> <p>(IV) The Company Report on the Distribution of Employee Bonus and Directors' Compensation in 2022.</p> <p>(V) The Company Business Report and Financial Statements in 2022.</p> <p>(VI) The Company Profits Distribution in 2022.</p> <p>(VII) The Company Reports on the Distribution of Profits from Cash Dividends in 2022.</p> <p>(VIII) Release the Prohibition on the Company Directors from Participation in Competitive Business.</p> <p>(IX) Acceptance of Shareholder Proposals Period.</p> <p>(X) Proposing the date, venue, purposes of convening, and related matters for the 2023 Annual Shareholders' Meeting of the Company.</p>
June 15, 2023	<p>(I) The certified public accountant provides non-assurance service items and their independence assessments, along with the establishment of operational procedures.</p> <p>(II) The revision proposal for the Company's internal control measures.</p> <p>(III) The Company's application for a credit limit from the bank.</p>
August 9, 2023	<p>(I) The remuneration proposal for the internal control special project review in the Company.</p> <p>(II) The revision proposal for the Company's internal control measures.</p> <p>(III) The Company's application for a credit limit from the bank.</p> <p>(IV) The Company's endorsement/guarantee case.</p> <p>(V) Acquisition of subsidiaries - Cash Capital Increase Proposal for Ping Ho Materials Technology Co., Ltd.</p>
September 12, 2023	<p>(I) The Company's revision proposal for the Corporate Charter and internal control-related measures.</p> <p>(II) The Company's application for a credit limit from the bank.</p> <p>(III) The Company's endorsement/guarantee case.</p> <p>(IV) Appointment of Corporate Governance Supervisor in the Company.</p> <p>(V) Release the Prohibition on the Company Manager from Participation in Competitive Business.</p> <p>(VI) The Company's proposed application for listing on the Innovation Board..</p> <p>(VII) Conducting a public offering for cash capital increase and issuing new shares before listing (OTC), with original shareholders waiving their priority rights.</p> <p>(VIII) Filling one vacant seat for the Director of the Company through supplementary</p>

Date	Resolution Contents
	<p>election.</p> <p>(IX) List of nominated director candidates.</p> <p>(X) Drafting the convening matters of the first extraordinary shareholder meeting of The Company in 2023.</p>
November 13, 2023	<p>(I) The Company's Budget and Operational Plan for the Year 2023.</p> <p>(II) The Company's application for a credit limit from the bank.</p> <p>(III) The Company's Consolidated Financial Statements for the third quarter of the year 2023.</p> <p>(IV) The Company's endorsement/guarantee case.</p> <p>(V) Assessing the independence and suitability of the Certified Public Accountant for the Company for the Fiscal Year 2023.</p> <p>(VI) The Company's Audit Plan for the year 2023.</p> <p>(VII) The revision proposal for the Company's internal control measures.</p> <p>(VIII) Review the Company's "Remuneration Committee Charter" and the "Director, Functional Committee, and Manager Performance Evaluation and Compensation Method".</p> <p>(IX) The remuneration for the Directors and Managers of the Company.</p> <p>(X) The Company's Manager Year-End Bonus for the Fiscal Year 2023.</p> <p>(XI) The Company's Self-assessment Report on the Corporate Governance Evaluation.</p> <p>(XII) Assessment of the Company's Financial Statements Compilation Capability.</p> <p>(XIII) The Company's financial forecast for the Q4 of 2023 and the Q1 of 2024.</p> <p>(XIV) The Company's "Statement of Internal Control during the Internal Control Review Period".</p> <p>(XV) The Company has entrusted the lead underwriter to handle the over allotment issue during the underwriting period.</p>
March 12, 2024	<p>(I) The Company's internal control system effectiveness assessment and internal control system statement for the year ended December 2023.</p> <p>(II) The revision proposal for the Company's internal control measures.</p> <p>(III) Intend to reconfirm the process and general policy of prior consent for Assurance-related Non-Assurance Services and list of Non-Assurance Services for Ernst & Young Taiwan and its affiliates.</p> <p>(IV) The case of the change of the Company's certified public accountant.</p> <p>(V) Evaluate the appointment, remuneration, independence, and suitability of the certified public accountant for the Company in the fiscal year 2024.</p>

Date	Resolution Contents
	<p>(VI) To comply with the Company's application for initial public offering, it is proposed to arrange for a public offering of new shares through cash capital increase before listing.</p> <p>(VII) Proposal to establish a scheme for employee stock subscription for cash capital increase prior to listing.</p> <p>(VIII) Proposing to submit the case of cash capital increase participation by managers and employees holding director positions before listing, along with the allocation of employee stock options.</p> <p>(IX) The case of distribution of employee bonuses and directors' remuneration for The Company in 2023.</p> <p>(X) The Company's Business Report and Financial Statements in 2023.</p> <p>(XI) The Company's Profits Distribution in 2023.</p> <p>(XII) The Company's cash dividends distribution from profits for the year 2023.</p> <p>(XIII) The Company plans to enter into a "Legal Compliance Advisory Service Agreement" with Grand Fortune Securities Co., Ltd.</p> <p>(XIV) Acceptance of Shareholder Proposals Period.</p> <p>(XV) Proposing the date, venue, purposes of convening, and related matters for the 2024 Annual Shareholders' Meeting of the Company.</p>

(XIII) For the most recent fiscal year and up to the date of the annual report printing, there were no recorded or written statements of disagreement with significant resolutions passed by the Board of Directors from any Director or Supervisor: None.

(XIV) In the recent fiscal year and up to the date of the annual report's printing, the resignations and dismissals of the company's Chairman, General Manager, Accounting Supervisor, Financial Supervisor, Internal Audit Supervisor, Corporate Governance Supervisor, and R&D Supervisor are as follows: None.

V. Information Regarding the Company's Audit Fee

Information Regarding the Company's Audit Fee

Unit: NTD 1,000

Accounting Firm Name	Name of Accountant	Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Ernst & Young Taiwan	Fang-Wen Lee	January 1, 2023 - December 31, 2023	2,620	985	3,605	None
	Kuo-Sen Hung					

Note: The non-audit fees services of the Company for the fiscal year 2023 include Tax Compliance Audit, Internal Control Reviews, and Business Registration.

- (I) If the audit fees paid in the year of changing the accounting firm are less than the audit fees in the year before the change, the amounts of audit fees before and after the change, and the reason for the change should be disclosed: None.
- (II) If audit fees decrease by more than 10% over the previous year, the reduction amount, percentage, and reason should be disclosed: None.

VI. Information Regarding the Replacement of the Accountant: None.

VII. Where the company's chairperson, general manager, or any managerial officer in charge of finance or accounting matters has held a position at the accounting firm of its certified public accountant or at an affiliated enterprises of such accounting firm in the most recent year, their name, title, and the duration of their employment at the accounting firm or its affiliated enterprises should be disclosed: None.

VIII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report.

(I) Changes in the Shareholding of Directors, Supervisors, Managers, and Major Shareholders:

Title (Note 1)	Name	Year 2023		As of April 11, 2024		Unit: Shares
		Increase (Decrease) the Number of Shares Held	Increase (Decrease) the Number of Pledged Shares	Increase (Decrease) the Number of Shares Held	Increase (Decrease) the Number of Pledged Shares	
Chairman	Ming-Yang Wu	0	0	0	0	0
Director and CEO	Ming-Jen Hung	0	0	0	0	0
Director	Ming-Cheng Chung	0	0	0	0	0
Director (Note 1)	Chin-Lan Huang	0	0	0	0	0
Director (Note 2)	Ming Sun	0	0	0	0	0
Independent Director	Chi-Shan Hung	0	0	0	0	0
Independent Director	Tao-Min Chen	0	0	0	0	0
Independent Director	Jun-An Chang	0	0	0	0	0
General Manager	Hung-Chieh Huang	0	0	0	0	0
Assistant Vice President	Yi-Sheng Chen	0	0	0	0	0

Note1 : Director Chin-Lan Huang was appointed at a provisional shareholders' meeting on November 3, 2023. Therefore, the increase (or decrease) of her shareholding is calculated from the date of her appointment.

Note2 : Director Ming Sun resigned on November 2, 2023. Therefore, the increase (or decrease) in the number of shares of the aforementioned director was only calculated during the director's term.

(II) The counterparty involved in equity transfer and equity pledge is a related party: none.

IX. Relationship information, if among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another.

Unit: shares; April 9, 2024

Name (Note 1)	Shares hold		Shares held by spouse and minor children		Shareholding by Nominee		If among the company's 10 largest shareholders any one is a related party or a relative within the second degree of kinship of another, their names, and relationship (Note 3)		Remarks
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Title (or Name)	Relationship	
Ming-Yang Wu	2,101,172	7.20%	0	0%	0	0%	None	None	None
Yu-Chen Chung	1,587,324	5.44%	0	0%	929,550	3.19%	Shu-Fang Liu	Mother & Son	None
							Yu-Jyun Jhong	Brothers	None
Shu-Fang Liu	1,496,260	5.13%	0	0%	0	0%	Yu-Chen Chung	Mother & Son	None
							Yu-Jyun Jhong	Mother & Son	None
							Ming-Cheng Chung	Brother & Sister-in-law	None
Ming-Jen Hung	1,268,420	4.35%	578,637	1.98%	420,000	1.44%	Fang-Mei Chan	Spouse	None

Cai Chiu Investment Co., Ltd.	929,550	3.19%	Not applicable	Not applicable	0	0%	None	None	None
Cai Chiu Investment Co., Ltd. Representative: Yu-Chen Chung	1,587,324	5.44%	0	0%	0	0%	Shu-Fang Liu	Mother & Son	None
							Yu-Jyun Jhong	Brothers	None
OmniGains Investment Co.	740,650	2.54%	Not applicable	Not applicable	0	0%	None	None	None
OmniGains Investment Co. Representative: Chun-Hui Wu	0	0	0	0%	0	0%	None	None	None
Yung-Chiu Lo	735,000	2.52%	115,500	0.40%	0	0%	None	None	None
Yu-Jyun Jhong	682,556	2.34%	0	0%	0	0%	Shu-Fang Liu	Mother & Son	None
							Yu-Chen Chung	Brothers	None
Ming-Cheng Chung	589,680	2.02%	0	0%	0	0%	Shu-Fang Liu	Brother & Sister-in-law	None
Fang-Mei Chan	578,637	1.98%	1,268,420	4.35%	—	—	Ming-Jen Hung	Spouse	None

Note1 : All of the top ten shareholders should be listed. If a shareholder is a legal entity, the name of the legal entity and the name of its representative should be listed separately.

Note2 : The calculation of shareholding ratio refers to calculate the percentage of shares held under one's own name separately, spouse's name, minor children's names, or using others' names.

Note3 : The aforementioned shareholders, including both legal entities and natural persons, should disclose their relationships with each other in accordance with the rules for preparing the issuer's financial reports.

X. The shares held in the same invested company by the company, its directors, supervisors, managers, and businesses directly or indirectly controlled by the company are combined to calculate the comprehensive shareholding ratio.

Comprehensive Shareholding Ratio

Unit: Thousand Shares; December 31, 2023

Investment Business Reconfiguration (Note)	The Company's Investment		Investments by Directors, Supervisors, and Managers, under Direct or Indirect Control of the Business		Comprehensive Investment	
	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership	Number of shares	Percentage of ownership
Ping Ho Materials Technology Co., Ltd.	13,899	92.66%	0	0%	13,899	92.66%
Ching Jing Industrial Co., Ltd.	2,470	100%	0	0%	2,470	100%
Wan Jing Industrial Co., Ltd.	900	100%	0	0%	900	100%
Feng Jia Industrial Co., Ltd.	6,351	100%	0	0%	6,351	100%

Note: It represents the Company's long-term equity investment accounted by using the equity method.

IV. Fundraising Overview

I. Capital and Shares

(I) Source of Capital:

1. Formation of Share Capital:

Unit: Thousand shares / NTD 1,000

Month /Year	Issue price (\$)	Authorized Capital		Paid-in Capital		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of Capital	Capital Contributed by Assets Other than Cash	Others
8/2006	10	3,000	30,000	3,000	30,000	Authorized capital at \$30,000 thousand	None	Note 1
11/2011	10	3,750	37,500	3,750	37,500	Cash Capital Increase of \$7,500 thousand.	None	Note 2
3/2014	10	6,000	60,000	6,000	60,000	Cash Capital Increase of \$22,500 thousand	None	Note 3
6/2014	10	9,000	90,000	9,000	90,000	Cash Capital Increase of \$30,000 thousand	None	Note 4
11/2015	10	30,000	300,000	12,000	120,000	Cash Capital Increase of \$30,000 thousand	None	Note 5
1/2016	30	30,000	300,000	15,000	150,000	Cash Capital Increase of \$30,000 thousand	None	Note 6
3/2017	40	30,000	300,000	18,000	180,000	Cash Capital Increase of \$30,000 thousand	None	Note 7
6/2017	10	30,000	300,000	19,800	198,000	Capital increase through earnings of \$18,000 thousand	None	Note 8
6/2018	10	30,000	300,000	20,790	207,900	Capital increase through earnings of \$9,900 thousand	None	Note 9
12/2018	10	70,000	700,000	27,790	277,900	The merger and acquisition involved the issuance of new shares and increased capital by \$70,000 thousand	None	Note 10
7/2020	10	70,000	700,000	29,180	291,795	Capital increase through earnings of \$13,895 thousand	None	Note 11

Note1 : Approved by official letter CHUNG ZI No. 09532598640 issued on August 1, 2006.

Note2 : Approved by the Sihwei Commercial Administration KUNG ZI No. 10001449560 from Kaohsiung City on November 11, 2011.

Note3 : Approved by the Commercial Administration KUNG ZI No. 10350700700 from Kaohsiung City on March 3, 2014.

Note4 : Approved by the Commercial Administration KUNG ZI No. 10351966700 from Kaohsiung City on June 6, 2014.

Note5 : Approved by the Commercial Administration KUNG ZI No. 10454485600 from Kaohsiung City on November 16, 2015.

Note6 : Approved by the Commercial Administration KUNG ZI No. 10550333200 from Kaohsiung City on January 25, 2016.

Note7 : Approved by the Commercial Administration KUNG ZI No. 10650696300 from Kaohsiung City on March 2, 2017.

Note8 : Approved by the Commercial Administration KUNG ZI No. 10652171400 from Kaohsiung City on June 13, 2017.

Note9 : Approved by the Commercial Administration KUNG ZI No. 10752041810 from Kaohsiung City on June 13, 2018.

Note10 : Approved by the Commercial Administration KUNG ZI No. 10754869200 from Kaohsiung City on December 20, 2018.

Note11 : Approved by the Commercial Administration KUNG ZI No. 10952829100 from Kaohsiung City on July 28, 2020.

2. Type of Shares:

Type of Shares	Authorized Capital			Remarks
	Outstanding Shares (Note)	Un-issued Shares	Total	
Ordinary Shares	29,179,500 shares	40,820,500 shares	70,000,000 shares	Non-TWSE/TPEx Listed stocks

Note: Please specify whether the stock belongs to a listed company or a company listed on the over-the-counter (OTC) market (it should be annotated if trading of the stock is restricted on the stock market or OTC market).

3. Information on the Consolidated Reporting System: Not applicable.

(II) Shareholder Structure:

Unit: Person/Share; April 9, 2024

Shareholder Structure Quantity	Government Agency	Financial Institutions	Other Legal Entities	Individual	Foreign institutions and outsiders	Total
Number of people	0	0	22	1,245	1	1,268
Number of Shares Held	0	0	4,240,121	24,934,379	5,000	29,179,500
Percentage of ownership	0.00%	0.00%	14.53%	85.45%	0.02%	100.00%

Note: TWSE/TPEX Listed and Emerging companies should disclose the shareholding ratio of Mainland China investment. Mainland China investment refers to individuals, corporations, organizations, and other institutions from Mainland China as defined in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan, or their companies investing in a third area.

(III) Share Dispersion Status:

1. Ordinary Shares

Unit: Person/Share; April 9, 2024

Class of Shareholding	Number of Shareholders	Number of Shares Held	Percentage of ownership
1 to 999	227	31,336	0.11%
1,000 to 5,000	673	1,388,904	4.76%
5,001 to 10,000	114	855,679	2.93%
10,001 to 15,000	64	802,179	2.75%
15,001 to 20,000	22	393,859	1.35%
20,001 to 30,000	40	981,969	3.37%
30,001 to 40,000	17	588,786	2.02%
40,001 to 50,000	17	781,498	2.68%
50,001 to 100,000	38	2,531,981	8.68%
100,001 to 200,000	17	2,332,755	7.99%
200,001 to 400,000	26	6,533,305	22.39%
400,001 to 600,000	5	2,416,317	8.28%
600,001 to 800,000	3	2,158,206	7.40%
800,001 to 1,000,000	1	929,550	3.18%
Classified based on actual circumstances for amounts exceeding 1,000,001 or over.	4	6,453,176	22.11%
Total	1,268	29,179,500	100.00%

2. Preferred shares: None.

(IV) List of Major Shareholders:

List all shareholders with a stake of 5 percent or greater, and if those are fewer than 10 shareholders, also list all shareholders who rank in the top 10 in shareholding percentage, and specify the number of shares and stake held by each shareholder on the list.

Unit: shares; April 9, 2024

List of Major Shareholders	Shares	Number of Shares Held	Percentage of ownership
Ming-Yang Wu	2,101,172	7.20%	
Yu-Chen Chung	158,7324	5.44%	
Shu-Fang Liu	1,496,260	5.13%	
Ming-Jen Hung	1,268,420	4.35%	
Cai Chiu Investment Co., Ltd.	929,550	3.19%	
OmniGains Investment Co.	740,650	2.54%	
Yung-Chiu Lo	735,000	2.52%	
Yu-Jyun Jhong	682,556	2.34%	
Ming-Cheng Chung	589,680	2.02%	
Fang-Mei Chan	578,637	1.98%	

(V) The market price, net worth, earnings, dividends per share, and related data for the past two fiscal years:

Market Price, Net Worth, Earnings, and Dividends per Share

Unit: Dollar

Items		Year	2022	2023	As of the end of the fiscal year April 11, 2024
			2022	2023	As of the end of the fiscal year April 11, 2024
Market Price per Share (Note 1)	Highest		74.00	69.00	83.60
	Lowest		56.00	55.90	64.00
	Average		66.47	62.37	76.30
Net Worth per Share (Note 2)	Before Distribution		24.13	24.88	Note 6
	After Distribution		20.13	20.88	Note 6
Earnings per Share	Weighted Average Shares (thousand shares)	Diluted Earnings Per Share	29,180	29,180	29,180
		Adjusted Diluted Earnings per Share	29,180	29,180	29,180
	Earnings per Share	Diluted Earnings Per Share	5.20	4.76	Note 6
		Adjusted Diluted Earnings per Share	5.20	4.76	Note 6
Stock Dividends per Share	Cash Dividends per Share		4.00	4.00 (Note 5)	Note 6
	Gratis Dividends	Dividends from Retained Earnings	-	-(Note 5)	Note 6
		Dividends from Capital Surplus	-	-(Note 5)	Note 6
	Accumulated Undistributed Dividends (Note 4)		-	-	Note 6
Return on Investment	Price / Earnings Ratio		12.78	13.10	Note 6
	Price / Dividend Ratio		16.62	15.59	Note 6
	Cash Dividend Yield Rate		6.02%	6.41%	Note 6

Note1 : The highest and lowest market prices of ordinary shares for each year are provided, along with the average market price calculated based on transaction value and volume.

Note2 : Please fill in the information according to the number of shares issued at the end of the year and the distribution situation resolved by the Board of Directors or Shareholders Meeting in the following year.

Note3 : If retrospective adjustments are required due to situations such as bonus issues, the Earnings Per Share before and after adjustments should be presented.

Note4 : If the conditions for issuing equity securities stipulate that undistributed dividends for the current year can be accumulated and

distributed in profitable years, the accumulated unpaid dividends up to the current year should be disclosed separately as of the end of the current year.

Note5 : The information is filled out according to the profit distribution proposal approved by the Board of Directors on March 12, 2024.

Note6 : The data audited (reviewed) by the auditor up to the end of 2023, which is the most recent quarter, is not included in the calculation.

(VI) The Company's Dividend Policy and Implementation Status:

1. Dividend Policy:

The Company will consider its operating environment and growth stage to address future capital requirements, maintain a sound financial structure, ensure profitability, and uphold a balanced and stable dividend policy. Each year, it will allocate no less than ten percent of distributable profits as dividends to shareholders. The distribution method, whether through stock dividends or cash dividends, will be determined based on capital needs and the dilution of earnings per share. Cash dividends will constitute no less than ten percent of the total dividend distribution.

2. The proposed dividend distribution at this Shareholders Meeting is as follows:

The proposed cash dividend for the fiscal year 2023 is \$116,718,000 (NTD 4.0 per share). Calculations are rounded down to the nearest dollar, with any fractional amounts less than one dollar transferred to other income. After the distribution, the undistributed earnings at the end of the period would be \$73,066,294.

In the event of changes resulting from statutory amendments or approval changes by the competent authority, or changes to the company's share capital affecting the number of shares in circulation, leading to alterations in the dividend distribution or share distribution ratio, the Chairman is authorized to make adjustments in accordance with the Company Law or other relevant regulations.

3. Explanation of significant changes in the expected dividend policy: None.

(VII) The impact of the gratis dividends at this Shareholders Meeting on the Company's business performance and Earnings Per Share: Not applicable.

(VIII) Compensation of Employees, Directors and Supervisors:

1. The percentage or range of compensation for employees, directors, and supervisors as stipulated in the Corporate Charter:

If the company generates profits during the fiscal year, it should allocate no less than 1% of the pre-tax profit, after deducting employee bonuses and director compensation, as employee bonuses, and not more than 3% as director compensation. However, if the company still has accumulated losses, a reserve should be set aside in advance to cover accumulated deficits. The determination of the distribution ratio for

employee bonuses and director compensation, as well as the decision on whether employee bonuses should be in the form of stocks or cash, is made by the Board of Directors. This decision requires a resolution by more than two-thirds of the directors present, with the presence of more than half of the directors. It should be reported at the shareholders' meeting. The recipients eligible to receive employee bonuses in the form of stock or cash may include employees of controlled or subsidiary companies who meet specific conditions, as determined by the Board of Directors.

2. The basis for estimating the compensation of employees, directors, and supervisors, as well as the basis for calculating the number of shares in stock distribution for employee compensation, should be specified. Additionally, the accounting treatment in case of any variance between the actual distribution amount and the estimated number should be outlined:

The Company accrues employees' remuneration and directors' remuneration based on the rates specified in the Corporate Charter each year. If there is a significant change in the distribution amount decided by the Board of Directors subsequently, the expenses for the current year should be adjusted accordingly.

3. The Board of Directors approved the distribution of remuneration:
 - (1) If there is a variance between the amount of employee compensation and the compensation for directors or supervisors, distributed in cash or stocks, and the estimated amount recognized for expenses for the year, the difference, reason, and handling of the situation should be disclosed: None.
 - (2) The amount of employee compensation distributed in stocks, its proportion to the net profit after tax in the current individual or separate financial statements, and the total employee compensation: Not applicable.
4. The actual distribution of remuneration for employees, directors, and supervisors in the previous year (including the number of shares distributed, the amount, and the stock price). Any differences from the recognized remuneration for employees, directors, and supervisors should be explained, including the variance, reasons, and how the situation was addressed:

Unit: NTD 1,000

Items	Actual Distribution Status	Number of Accounts in 2022	Differences	Reason for Differences	Situation
Employee Compensation	12,947	12,947	0	None	Not applicable
Directors' Remuneration	1,850	1,850	0	None	Not applicable
Total	14,797	14,797	0	None	Not applicable

(IX) The Company buyback its own shares: None.

II. Status of Corporate Bonds: None.

III. Status of Preferred Stock: None.

IV. Status of Global Depository Receipt: None.

V. Status of Employee Stock Warrants: None.

VI. Status of Restricted Stock Awards: None.

VII. Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

VIII. Status of Financing Plans and Implementation: None.

V. Operational Highlights

I. Business Activities

(I) Business Scope

1. Main areas of business operations

J101060 Wastewater Treatment
C801010 Basic Chemical Industrial
C802120 Industrial and Additive Manufacturing
CA01110 Smelting and Refining of Copper
CB01030 Pollution Controlling Equipment Manufacturing
F107080 Wholesale of Environmental Agents
F107170 Wholesale of Industrial Catalyst
F107200 Wholesale of Chemical Feedstock
F107990 Wholesale of Other Chemical Products
F199990 Other Wholesale Trade
F401010 International Trade
F113100 Wholesale of Pollution Controlling Equipments
F199010 Wholesale of Recyclable Material
J101030 Waste Disposing
J101040 Waste Treatment
J101080 Resource Recycling
J101090 Waste Disposal
J101990 Other Environmental Sanitation and Pollution Prevention Service
C801990 Other Chemical Materials Manufacturing
ZZ99999 All business activities that are not prohibited or restricted by law, except those that are subject to special approval

2. Revenue distribution of the Company

Unit: NTD 1,000; %

Items	2022		2023	
	Sales	Percentage (%)	Sales	Percentage (%)
Manufacturing and sales of wastewater Treatment Chemicals and Consumables	57,365	8.53	48,716	8.00
Wastewater Treatment	539,004	80.09	444,200	72.91
Waste Transportation	37,509	5.57	41,800	6.86
Others	39,094	5.81	74,526	12.23
Total	672,972	100.00	609,242	100.00

Note: "Others" refers to service revenue from providing Wastewater Treatment plants on behalf of others.

3. The services from the company

Services	Explanation
Wastewater Treatment	Wastewater and Acidic Wastes Treatment
Manufacture and Wholesale of Chemical Feedstock	Manufacturing and sales of wastewater Treatment Chemicals and Consumables
Waste Transportation	The transportation of waste such as sludge and spent activated carbon generated from wastewater, acidic wastes, and wastewater treatment.
Operation of Water Management	Undertaking the operation and maintenance tasks for wastewater treatment plants in industrial areas

4. The new product (service) that the company plans to develop

- (1) Enhancing wastewater treatment techniques, including the recycling and reuse of nickel electroplating wastewater and ammonia nitrogen wastewater, etc.
- (2) Developing equipment for the continuous inflow of high-concentration ammonia nitrogen wastewater to recycle ammonium chloride through gas stripping.
- (3) Applying the Sequencing Batch Reactor (SBR) for the biological treatment of wastewater to remove organic pollutants.
- (4) Implement a reclaimed water reuse system tailored for use in actual factory settings.
- (5) Developing a heavy metal adsorbent capable of capturing various heavy metals present in wastewater.

(II) Industry Overview

1. Current Status and Development

A. Current Status of the Industry

The Company primarily operates by transporting wastewater via tanker trucks or underground pipelines. It collects wastewater generated by manufacturers in industrial zones, containing general heavy metals, chromium series, nickel series, and ammonia nitrogen, and treats it to meet discharge standards through the application of chemical agents or consumables, which induce physical and chemical reactions. In addition to providing core wastewater treatment services, the company engages in purifying wastewater through delegated processing. Leveraging integration within the group's upstream and downstream operations and business specialization, it also sells wastewater treatment chemicals and consumables and

offers waste removal and transportation services, providing clients with comprehensive one-stop solutions. Below is an overview of the industry in which the Company and its subsidiaries operate, focusing on three main business areas, Wastewater Treatment, Manufacturing and sales of Wastewater Treatment Chemicals and Consumables, and Waste Transportation:

(A) Wastewater Treatment Industry

Based on forecasts from GWI Water Data, a database under Global Water Intelligence, the global water treatment industry is expected to experience continuous growth due to the scarcity of water resources and increasing environmental protection demands. The market size is projected to increase from \$770 billion in 2018 to approximately \$914.9 billion by 2023. By 2025, the industry is expected to reach \$1 trillion, with an average compound annual growth rate of around 3.8%. The Asia-Pacific region is anticipated to experience particularly significant growth in market size. According to the 2015 research report "Water: The Market of the Future" by Robeco SAM, global water usage has experienced rapid growth since the 20th century due to the increasing world population. From 600 cubic kilometers in 1900, it doubled to 1,400 cubic kilometers by 1950. The report estimates that by 2030, global water usage will reach 6,900 cubic kilometers if population growth continues as projected and there is an increasing demand for quality of life. This increase in water consumption will also drive up the demand for water treatment.

Due to global climate change, Taiwan is experiencing shifts in its traditional rainfall patterns, leading to highly uneven distribution of rainfall in terms of both time and location. Additionally, the steep terrain exacerbates the situation, as most rainwater swiftly drains into the sea. Consequently, Taiwan frequently faces regional water shortages, posing challenges to effective water resource management. Based on assessments by the International Water Association (IWA), Taiwan's annual average rainfall is decreasing by 0.9% annually due to climate change. The drought cycle has shortened from 17 years to 9 to 10 years, and it is projected that by 2025, the ratio of increased rainfall during the wet season to decreased rainfall during the dry season will reach 5~10%. This indicates that Taiwan will continue to confront the challenge of ensuring stable water supply over the next 30 years. In December 2022, Taiwan's Financial Supervisory Commission, along with the Environmental Protection Administration of the Executive Yuan, Ministry of Economic Affairs, Ministry of Transportation and Communications, Ministry of the

Interior, and other agencies, jointly announced the "Reference Guidelines for Sustainable Economic Activity Certification". Among the listed categories, the "other low-carbon and circular economy-related technologies" and "installation of equipment or systems for water conservation, water resources recycling utilization, or emerging water source development, as well as technology development and patent services" fall under the umbrella of forward-looking economic activities. These activities are closely related to the Wastewater Treatment industry in which the Company operates and fall within the scope of the water treatment industry.

Based on the analysis report on the global water treatment market issued by the Industrial Technology Research Institute in February 2012, the water treatment industry can be segmented into three main sectors: public utilities such as tap water and domestic sewage treatment, industrial sewage treatment, and industrial water and wastewater treatment, as illustrated in the figure below:



資料來源：IEK 於 2012/2 發布之全球水處理市場分析報告

Regulations related to water pollution control began in 1974 in our country. According to information from the Ministry of Environment, wastewater can be categorized based on its discharge type, including industrial wastewater, wastewater from industrial parks, livestock wastewater, and domestic wastewater. Among these, industrial park wastewater and industrial wastewater are relevant to the core business of the Company. Therefore, the following will primarily focus on introducing the characteristics and regulatory measures for industrial wastewater and wastewater from industrial parks.

According to the Water Pollution Control Act and relevant regulations on

the classification and definition of industries under the Act, the categories of business wastewater regulated cover over 64 types of industries (such as basic metal industry, textile industry, metal surface treatment industry, food industry, and livestock industry, etc.) If a business unit belongs to any of the regulated industry categories mentioned above, it must be subject to regulation under the Water Pollution Control Act and be considered as a regulated business. The wastewater generated by businesses includes discharge wastewater, operational wastewater, non-contact cooling water, and direct runoff wastewater. The possible actions regarding the generated operational wastewater are illustrated in the diagram below. Operational wastewater as defined by the "Water Pollution Control Measures and Test Reporting Management Regulations" refers to wastewater directly contacting people or objects during manufacturing, processing, repair, treatment, operation, cooling, rinsing, backwashing, treatment, service provision, livestock breeding, natural resource development, or other operations. Enterprises are required to either treat it themselves or outsource its treatment. Therefore, besides self-treatment, enterprises can also opt for operational wastewater treatment by contracted wastewater treatment businesses. Before discharging wastewater, enterprises must first submit a "Plan of Waste Pollution Prevention Measures" to the relevant environmental authorities for approval. This plan includes the design and processing flow of the wastewater treatment facility, the dimensions of the tanks, and the types of treatment units. Only after obtaining approval can they proceed with the construction of the wastewater treatment facility. Upon completion, they must apply for a discharge permit. Additionally, the wastewater produced by the enterprise must meet the "Effluent Standards" before discharge. This includes compliance with various parameters such as Biological Oxygen Demand (BOD), Chemical Oxygen Demand (COD), heavy metals, pH levels, volatile organic compounds, and semi-volatile organic compounds. These parameters must all meet emission limits before the wastewater can be discharged into the receiving waters.

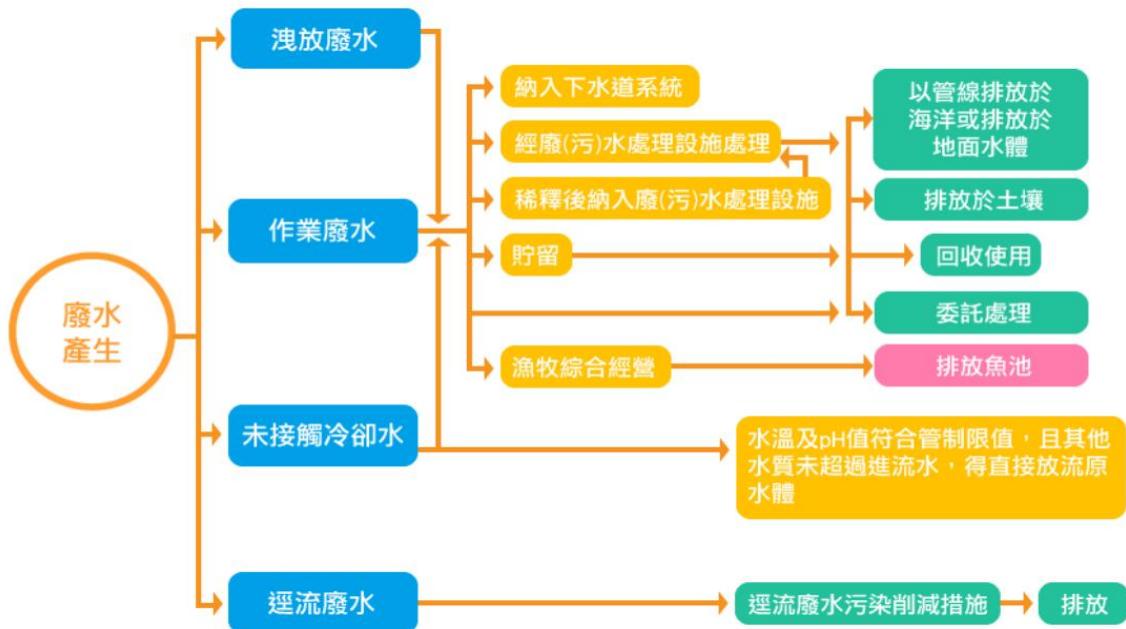


Figure. Possible behavior after generating industrial wastewater.

Source: Ministry of Environment, Water Quality Protection Web

With the continuous improvement of industrial production processes, the industry's derivative wastewater and its contained heavy metals/waste components are becoming more complex. Legal regulations are also becoming stricter under the trend of sustainable development of environmental protection. If the high-concentration metal-containing wastewater is not treated through wastewater treatment facilities or processed by professional wastewater treatment manufacturers, and flagrantly violates the law, such as intentional bypass discharge, dilution discharge of wastewater, or severe exceedance of discharge standards, such violations will be heavily punished, and it poses a serious threat to humans and ecosystems, indirectly causing various human diseases. Therefore, to prevent unscrupulous businesses from discharging high-concentration wastewater into the environment, affecting water bodies or farmland, Articles 34 to 39 of the Water Pollution Control Act provide, unlike the provisions of Criminal Code, a special law called Administrative Penalty Act, which have higher penalties and fines than the Criminal Code in order to punish illegal operators. The maximum penalty is a fixed-term imprisonment of over 7 years and a over 30 million dollar fine. According to statistics from the Ministry of Environment's Environmental Statistics Query Web for the year 2023 (excluding the livestock industry), the management of industrial

wastewater sources in Taiwan is as follows (detailed in the table below): There are 27,700 Taiwanese enterprises subject to wastewater control, with 5,008 enterprises having been issued discharge permits. Among them, 22,692 enterprises, accounting for 81.92% of regulated Taiwanese businesses, need further treatment before they can directly discharge their wastewater. Specifically, in Tainan and Kaohsiung, there are 5,296 businesses that require additional treatment before discharging their wastewater directly.

公開類

年報 期間終了2個月内端報

事業廢水污染源管理情形(續1)

二、事業廢水[畜牧業(一)除外]

中華民國112年

地區別	列管家數	排放許可證(文件) 核發情形			貯留許可證(文件) 核發情形			稀釋許可證(文件) 核發情形			土壤處理許可證 (文件)核發情形			廢(污)水處理 專責單位設置情形		
		應申請 家數	已核發 家數	核發率 (%)	應申請 家數	已核發 家數	核發率 (%)	應申請 家數	已核發 家數	核發率 (%)	應申請 家數	已核發 家數	核發率 (%)	應設置 家數	已設置 家數	設置率 (%)
總計	27,700	5,624	5,008	89.05	1,927	1,652	85.73	5	—	—	7	1	14.29	327	316	96.64
新北市	2,388	799	696	87.11	144	111	77.08	—	—	—	—	—	—	16	16	100.00
臺北市	960	34	32	94.12	13	13	100.00	—	—	—	—	—	—	1	1	100.00
桃園市	4,646	896	783	87.39	247	201	81.38	—	—	—	—	—	—	65	61	93.85
臺中市	3,612	802	704	87.78	241	215	89.21	—	—	—	1	—	—	27	27	100.00
臺南市	3,277	568	526	92.61	148	136	91.89	—	—	—	1	1	100.00	50	50	100.00
高雄市	2,940	430	395	91.86	171	155	90.64	—	—	—	—	—	—	74	68	91.89
宜蘭縣	740	147	125	85.03	67	62	92.54	—	—	—	—	—	—	4	4	100.00
新竹縣	955	160	142	88.75	58	48	82.76	—	—	—	—	—	—	23	23	100.00
苗栗縣	816	183	175	95.63	157	140	89.17	—	—	—	—	—	—	17	17	100.00
彰化縣	2,183	500	468	93.60	144	128	88.89	—	—	—	—	—	—	3	2	66.67
南投縣	660	132	107	81.06	60	54	90.00	—	—	—	—	—	—	2	2	100.00
雲林縣	1,101	162	132	81.48	104	86	82.69	1	—	—	1	—	—	19	19	100.00
嘉義縣	825	90	87	96.67	41	39	95.12	—	—	—	—	—	—	4	4	100.00
屏東縣	655	194	171	88.14	88	75	85.23	—	—	—	—	—	—	1	1	100.00
臺東縣	218	81	74	91.36	24	23	95.83	—	—	—	—	—	—	1	1	100.00
花蓮縣	541	173	143	82.66	128	89	69.53	—	—	—	—	—	—	2	2	100.00
澎湖縣	130	46	37	80.43	17	13	76.47	3	—	—	3	—	—	4	4	100.00
基隆市	163	32	28	87.50	12	12	100.00	—	—	—	—	—	—	1	1	100.00
新竹市	461	99	96	96.97	37	34	91.89	—	—	—	—	—	—	10	10	100.00
嘉義市	230	61	58	95.08	5	5	100.00	—	—	—	—	—	—	—	—	—
金門縣	150	14	12	85.71	16	13	81.25	—	—	—	—	—	—	2	2	100.00
連江縣	49	21	17	80.95	5	—	—	1	—	—	1	—	—	1	1	100.00

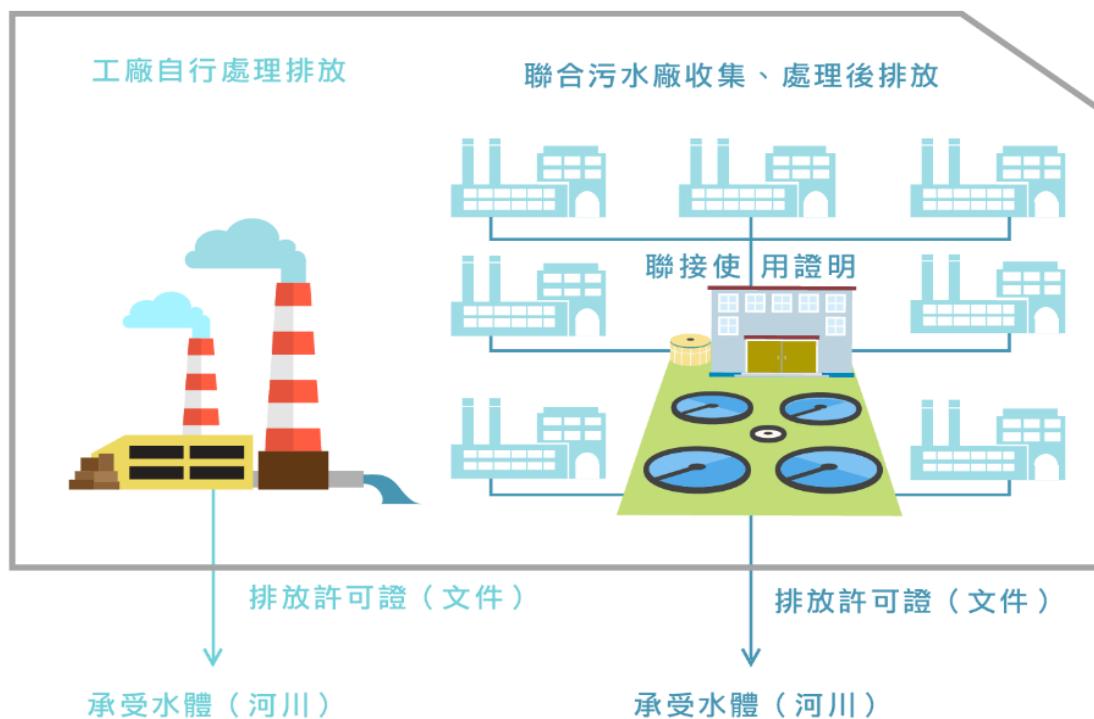
Table. Situation of Industrial Wastewater Pollution Sources for 2023 (excluding the livestock industry)

Source: Ministry of Environment, Environmental Statistics Query Web

In terms of industrial wastewater regulation, establishments under the jurisdiction of the Sewerage Law with joint sewage treatment plants amounted to 77 as of 2021. Among these, 46 are overseen by the Ministry of Economic Affairs (including 42 under the Department of Industry and 4 under processing

export zones), 11 are managed by the Ministry of Science and Technology, 11 by local governments, 8 by private entities, and 1 by the Agriculture Council of the Executive Yuan (now reorganized as the Department of Agriculture). All regulated industrial parks currently have joint sewage treatment plants. These parks' service centers assess the wastewater characteristics of each industry within their jurisdiction and establish different quality standards for admission to sewage treatment plants. After treatment to meet these standards, the water is sent to the industrial area's joint sewage treatment plants for unified management. It is only discharged into surface water bodies after meeting the discharge standard (as illustrated in the figure below). If manufacturers within the industrial park are unable to meet the water quality standards required by the industrial wastewater treatment plant, or if they encounter limitations in operating wastewater treatment equipment, they will engage Wastewater Treatment businesses to conduct agency operation or treatment on their behalf.

工廠廢水處理流程示意圖



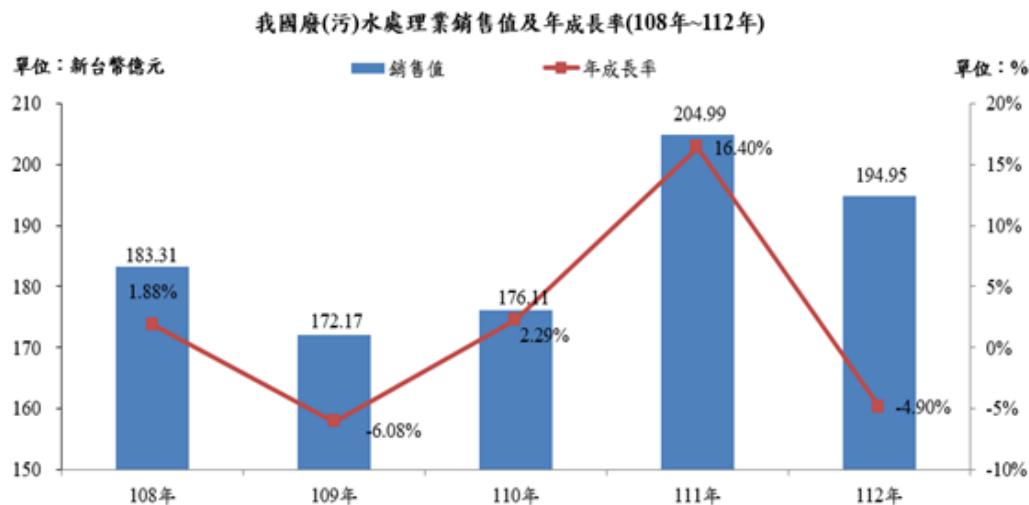
Source: Ministry of Environment, Water Quality Protection Web

The wastewater treatment-related business in Taiwan primarily revolves around the wastewater treatment engineering and equipment industry. This sector specializes in tailoring wastewater treatment equipment for clients, who

then either operate the wastewater treatment themselves or outsource it to others. According to the "2023 SME White Paper" published by the Ministry of Economic Affairs, the number of small and medium-sized enterprises (SMEs) in Taiwan exceeded 1.63 million in 2022, accounting for over 98% of all enterprises. However, when SMEs consider investing in pollution prevention equipment, they need to take into account various factors such as land space, setup costs, operation and maintenance expenses, payback period benefits, future process development, and the compatibility of pollution prevention equipment. Additionally, they must schedule regular education and training courses on wastewater treatment equipment to reduce penalties resulting from environmental pollution caused by human error. Furthermore, SMEs must consider the characteristics of process pollutants and the need for equipment upgrades due to increasingly stringent regulations. Designing and constructing a system capable of treating most industrial wastewater is costly. Therefore, investing a significant amount in setting up wastewater treatment equipment may not be cost-effective for SMEs and may be beyond their financial capabilities. As a result, most manufacturers can only afford to implement simple treatment processes for the wastewater they generate. However, if there are changes in operational direction, process modifications, or production line expansions, the existing wastewater treatment equipment may not be able to handle the increased load and lack flexibility for adjustments. Therefore, having related waste treatment companies handle wastewater treatment on their behalf would not only effectively manage wastewater but also simplify monitoring and management processes. The Company primarily focuses on Wastewater Treatment services for small and medium enterprises.

Regarding the market development of Taiwan's Wastewater Treatment industry, data from the Ministry of Finance's Monthly Statistical Bulletin (as shown in the table below) reveals that as of the end of 2023, there were approximately 590 wastewater treatment businesses in Taiwan. Furthermore, the industry's sales grew from about \$18.331 billion in 2019 to around \$19.495 billion in 2023, representing a Compound Annual Growth Rate (CAGR) of approximately 1.55%. Between 2015 and 2018, consecutive amendments to the "Water Pollution Control Act" and related subsidiary legislation by the Environmental Protection Agency (now restructured as the Ministry of Environment) brought significant changes, including the removal of provisions

for wastewater injection into groundwater and the addition of regulations allowing disposal during periods of water quality degradation for businesses. These amendments substantially increased demand for wastewater treatment among manufacturers and in the market. However, in 2020, due to the COVID-19 outbreak, domestic manufacturers faced partial shutdowns or downsizing, resulting in a 6.08% decline in yearly sales compared to 2019. From 2021 to 2023, the easing of the pandemic and the return to normalcy gradually spurred economic recovery, leading to increased export momentum for domestic manufacturers. Consequently, the annual sales of the wastewater treatment industry in 2022 surged by approximately 16.40% compared to 2021. Conversely, in 2023, due to the global economic contraction caused by tightened monetary policies and inflation, decreased end-user demand, manufacturers' cautious approach to investment, slowdown in consumption and investment, and ongoing inventory adjustments in the supply chain, the annual sales of the wastewater treatment industry slightly decreased by 4.90% compared to 2022.



In addition to changes in environmental regulations and the aforementioned industry trends, the core business of Wastewater Treatment at the Company is also greatly related to its main clientele, which are screw and nut, and metal processing industries who are most troubled by environmental wastewater issues. Electroplating is one of their essential production processes which generates a large amount of wastewater, and the pickling process produces spent pickle liquor. The wastewater often contains heavy metals, which if not properly treated, significantly impacts the environment. Hence, the development status of the industries to which its main customers belong is

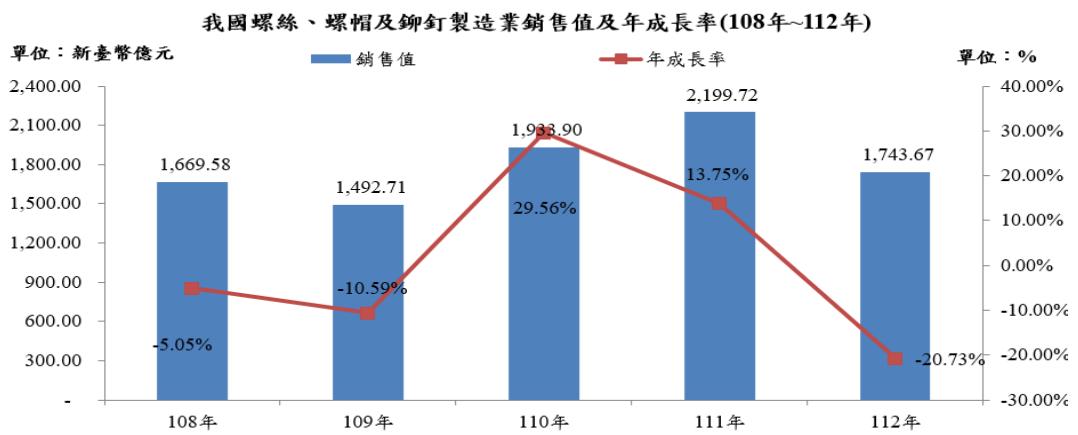
intimately connected to the water quality and quantity that the Company must address. Therefore, we also present an overview of the screw and nut industry, as well as the metal processing industry.

a. Screw and Nut Industry

Fasteners, collectively known as screws and nuts, constitute Taiwan's third-largest export globally. With international automotive giants placing more orders with Taiwanese manufacturers for automotive screws, and domestic companies actively enhancing the proportion of high-value products in their shipments, the sales share of high-priced items such as high-end automotive and aerospace fasteners, as well as specialized screws, has been steadily rising. Consequently, in recent years, the sales value of screws and nuts has consistently accounted for over 98% of the manufacturing industry's output in screws, nuts, and rivets, making it a crucial high-value sector in Taiwan for generating foreign exchange. Furthermore, due to Taiwan's manufacturers actively developing high-end screws and nuts for applications such as automotive, aerospace, and precision equipment, coupled with securing OEM orders from major European and American automotive giants, the export share of screws and nuts from our country has exceeded 75% in the past five years. Presently, there are approximately 3,000 screw fastener factories in Taiwan, with 50% of the screw and nut industry concentrated in the southern region. The largest industrial cluster for screws and nuts is situated from Gangshan and Luzhu in Kaohsiung City to Guiren and Rende in Tainan City, comprising over 700 screw factories. Taiwan is recognized internationally as a "Screw Kingdom" for its excellent quality and swift delivery, holding a prominent position in the global supply market for screws and nuts.

According to the industrial economic database of the Taiwan Industry Economics Services and the statistical data from the Department of Statistics of the Ministry of Economic Affairs (as shown in the table below), the sales value of the screw and nut industry in Taiwan has grown from \$166.958 billion in 2019 to \$174.367 billion in 2023, with an approximate compound annual growth rate of 1.09%. The sales value of the industry showed a declining trend in 2019 and 2020. This is primarily due to nearly 80% of the industry being based on export orders, with main sales destinations including countries such as Europe, America, and Japan. These products are applied in various fields such as automobiles, machinery, and consumer electronics. After the US-China

trade war, domestic companies faced increased price competition from exports by mainland Chinese manufacturers. Additionally, the declining quotes from upstream wire rod suppliers added pressure on the industry's product pricing, resulting in a decline in sales value. Furthermore, from 2020 to 2021, the outbreak of the COVID-19 pandemic significantly slowed global demand from automotive and consumer electronics industries. Although orders from international manufacturers began to recover in the second half of 2021 following worldwide reopening, the slowdown in demand both domestically and overseas, caused by inventory adjustments of downstream customers, has impacted product pricing. This occurred despite a notable increase in international nickel prices in 2021 compared to 2020 and steady domestic demand for fasteners. Moreover, the gradual warming up of delayed fastener OEM orders from international automakers and an increasing proportion of niche fastener products in industries such as aerospace and electric vehicles have driven the average price of screws and nuts to increase in 2021 compared to 2020. This contributed to a growth of around 13.75% in the industry's sales value in 2022 compared to 2021, although this growth was not as strong as it had been in 2021. In 2023, the economies of major markets such as Europe and America were affected by geopolitical instability and a high-interest rate environment. Additionally, following the lifting of lockdown measures in China, the demand did not meet expectations. Domestically, private construction policies and labor shortages remained lackluster. Concurrently, many European and American customers were still undergoing inventory adjustments. Furthermore, the competitive pressure from China's exported fastener products intensified. The European Union's trial of CBAM and the trend towards net-zero carbon emissions increased decarbonization costs for businesses, adversely impacting both domestic and export market demand. Consequently, the sales value for the year 2023 experienced a significant decline of 20.73% compared to 2022.



資料來源：台經院產經資料庫；經濟部統計處工業產銷存動態調查；福邦證券整理

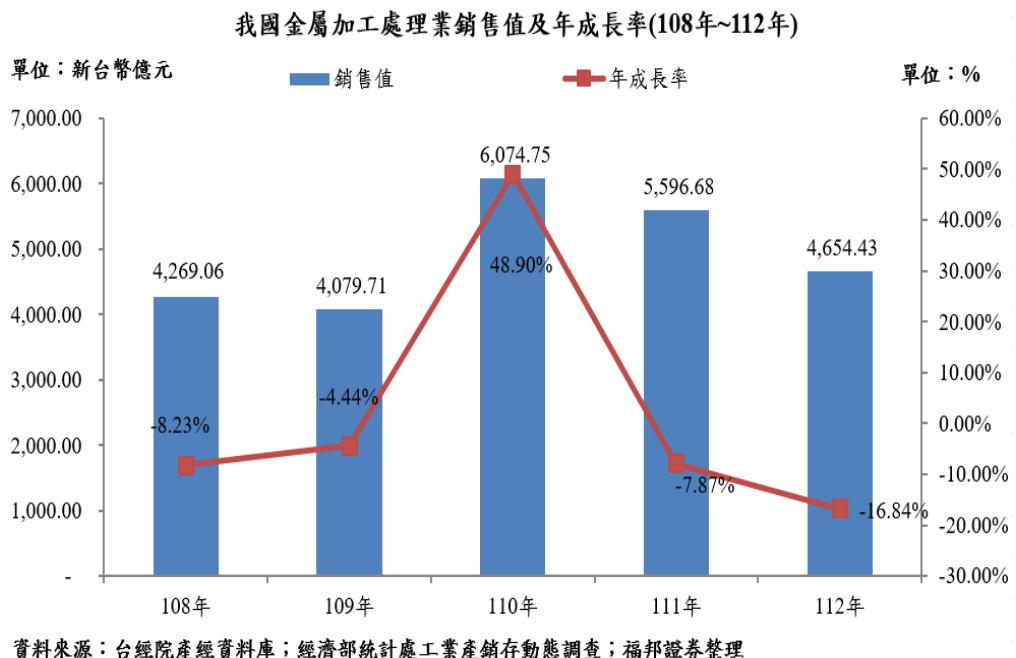
The ITIS industry report "Review and Prospects of the Fasteners Industry in the Fourth Quarter and the Full Year of 2023" indicates that Taiwan's fastener industry experienced a decline in the fourth quarter of 2023, with an estimated output of NT\$37.37 billion and exports valued at NT\$35.13 billion. This decline continued for all four quarters of 2023, with a decrease of 1.6% in the fourth quarter. However, the rate of decline gradually narrowed to 22.5% compared to the same period last year. For the full year of 2023, the total export value is projected to be NT\$148.15 billion, representing a decrease of 21.4% from the previous year. The primary reasons for this decline include the ongoing Russia-Ukraine conflict and the persistent high prices in Europe and America, which have resulted in a decrease in consumers. Based on a report from the American market research firm Grand View Research, the global industrial fastener market is projected to expand at a compound annual growth rate of 4.5% from 2022 to 2023, reaching \$131.28 billion by 2030. This growth is expected to be driven by factors such as population growth, significant investments in the construction industry, demand from the aerospace and automotive industries, and the increasing focus on green energy. As a result, it is anticipated that the overall fastener industry in our country still has room for growth and development potential.

b. Metal Processing Industry

The metal processing industry encompasses various sectors, including metal forging, powder metallurgy, metal heat treatment, metal surface treatment, and other metal processing operations. According to statistics from the Taiwan Institute of Economic Research and the Industrial Production, Sales, and Inventory survey of the Ministry of Economic Affairs, the sales value of

Taiwan's metal processing industry increased from \$426.906 billion in 2019 to \$465.443 billion in 2023, with a compound annual growth rate of approximately 2.18%. This growth can be attributed to various factors. The US-China trade war, which began in 2019, significantly impacted metal surface processing products, while Chinese manufacturers turned to overseas exports to mitigate domestic demand decline, intensifying competition for domestic manufacturers. Additionally, the COVID-19 pandemic in 2020 led to a decline in demand from downstream industries such as automotive, machinery, and electronics. However, from the second half of 2020, the easing of the domestic pandemic situation led to increased demand in private construction and public works, along with a surge in orders from downstream exporting industries due to the resurgence of demand in European and American markets. Furthermore, rising quotations for upstream steel and basic metals, coupled with supply shortages, widened the price gap between domestic and foreign products, boosting product pricing in the metal processing industry. Despite continued demand for domestic infrastructure and public works, geopolitical issues like the Russo-Ukrainian War in 2022 and increasing inflationary pressures resulted in a decline in Western economies and consumer strength. Additionally, continuous interest rate hikes in countries like the United States and China's containment policies disrupted industrial supply chains, slowing export orders and exports of various products. Delays in factory construction projects due to slower order intake further contributed to a contraction in domestic and foreign market demands and increased pressure to clear inventories. Consequently, the sales value in 2022 declined by approximately 7.87% compared to 2021. In 2023, despite the alleviation of issues like the shortage of critical components and disruptions in container shipping capacity in Taiwan, there was some relief for certain downstream industries like the automotive sector, which saw a gradual increase in demand. Additionally, ongoing government efforts to promote infrastructure projects maintained stable demand for public works in Taiwan, preventing a significant decline in the sales value of the metal processing industry. However, several factors contributed to a challenging environment. Sluggish international demand affected domestic growth prospects, compounded by persistent global inflationary pressures, escalating US-China tech competition, and the ongoing Russia-Ukraine conflict. Moreover, major economies implemented multiple interest rate hikes, adding to uncertainties. Consequently, export orders for downstream industries such as

electronics, metal products, and machinery slowed down, impacting domestic manufacturing demand. Furthermore, domestic housing construction demand slowed due to policy changes and labor shortages. Additionally, delayed capital expenditures in the tech industry led to a slowdown in demand for factory office materials. These factors affected the delivery performance of products in the metal processing industry, resulting in a 16.84% decline in sales value in 2023 compared to 2022. Based on the Metal Surface Treatment Market research report by Global Information Inc. (GII), the market size of the metal surface treatment market was estimated to be \$90.973 billion in 2021. It is projected that the compound annual growth rate will increase by more than 4% from 2022 to 2027. Therefore, the market for the metal processing industry is expected to recover and continue steady growth.



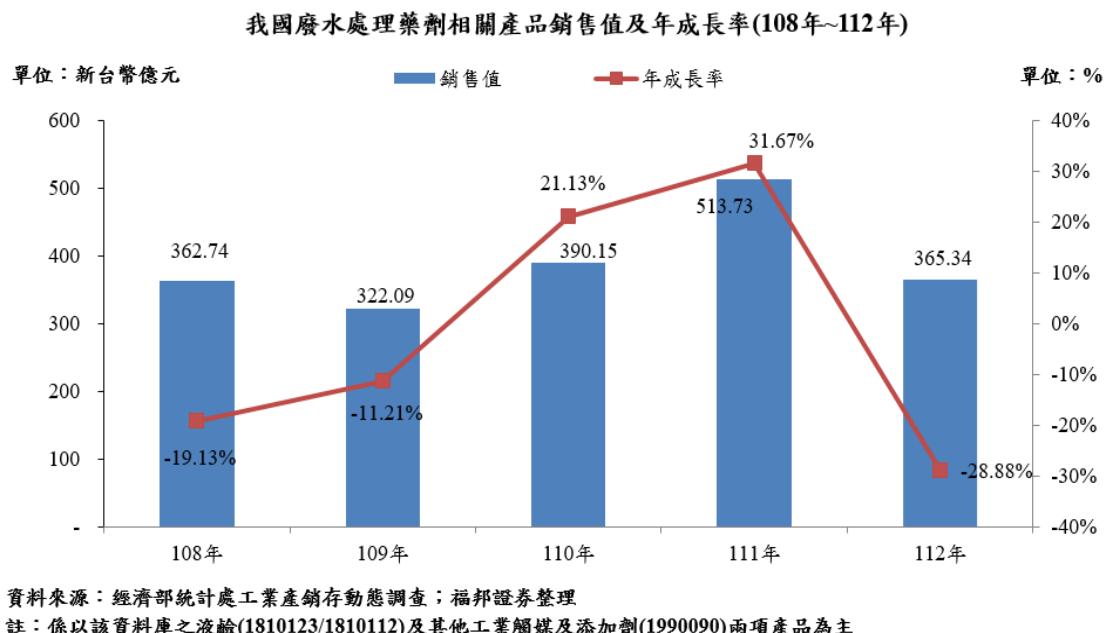
(B) Industry of Manufacturing and sales of wastewater Treatment Chemicals and Consumables

The main products sold by the Company include alkali, coagulants, and strong oxidants for Wastewater Treatment, and are predominantly sold domestically with no exports yet. Liquid alkali (also known as sodium hydroxide, caustic soda, etc.) is a strong alkaline inorganic chemical, which has a wide range of uses, including chemical drugs, paper making, aluminum refining, tungsten refining, artificial silk, artificial cotton, soap and other industries are within its downstream application scope. In addition, liquid alkali can also be used in the Wastewater Treatment industry, mainly as a drug to

neutralize the pH scale during the Wastewater Treatment process. It is also the main downstream application of The Company's liquid alkali sales; The coagulant mainly neutralizes the electric properties and bridges high molecules to promote the rapid coagulation and sedimentation of suspended particles in the wastewater, so as to achieve the effects of separation and clarification of water quality; The strong oxidant mainly degrades the organic matter in the wastewater into inorganic matter through the oxidation-reduction effect, or oxidizes the pollutants dissolved in water into substances that are insoluble in water and easy to separate from water. Referring to data such as the Industry Standard Classification from the Directorate-General of Budget, Accounting, and Statistics under the Executive Yuan and the Industry Standard Comparison provided by the Ministry of Economic Affairs, it is found that liquid alkali falls under the Chemical Raw Material Manufacturing Industry. In contrast, coagulants and strong oxidants are categorized within the Other Industrial Catalysts and Additives segment of the Unclassified Other Chemical Products Manufacturing Industry. Hence, when analyzing industry/market statistics related to the business of manufacturing and sales wastewater treatment chemicals and consumables, the sales values of these two products obtained from the Industry Production, Sales, and Inventory Dynamics Survey Database of the Ministry of Economic Affairs are relied upon. Subsequently, the findings are discussed after consolidating this information.

In terms of industry development, according to the database of the Industrial Production, Sales, and Inventory Survey by the Ministry of Economic Affairs (as shown in the table below), the sales value was approximately \$36.274 billion in 2019 and around \$36.534 billion in 2023, with a Compound Annual Growth Rate (CAGR) of about 0.18%. The main reason for the significant decline in 2020 and 2023 was due to the decline in sales value of caustic soda. In 2020, due to the expansion of exports by Japanese and South Korean companies, the oversupply pressure in the overseas market increased, leading to a decrease in caustic soda prices and, consequently, a decrease in sales value. However, the demand for caustic soda increased significantly in 2021 due to the continuous commissioning of new capacities such as Indonesian alumina and nickel mines. Additionally, under China's dual-control energy consumption policy, international alkali prices were pushed up, leading to an increase in sales value. In 2022, the Russia-Ukraine war affected global energy prices, causing a surge in natural

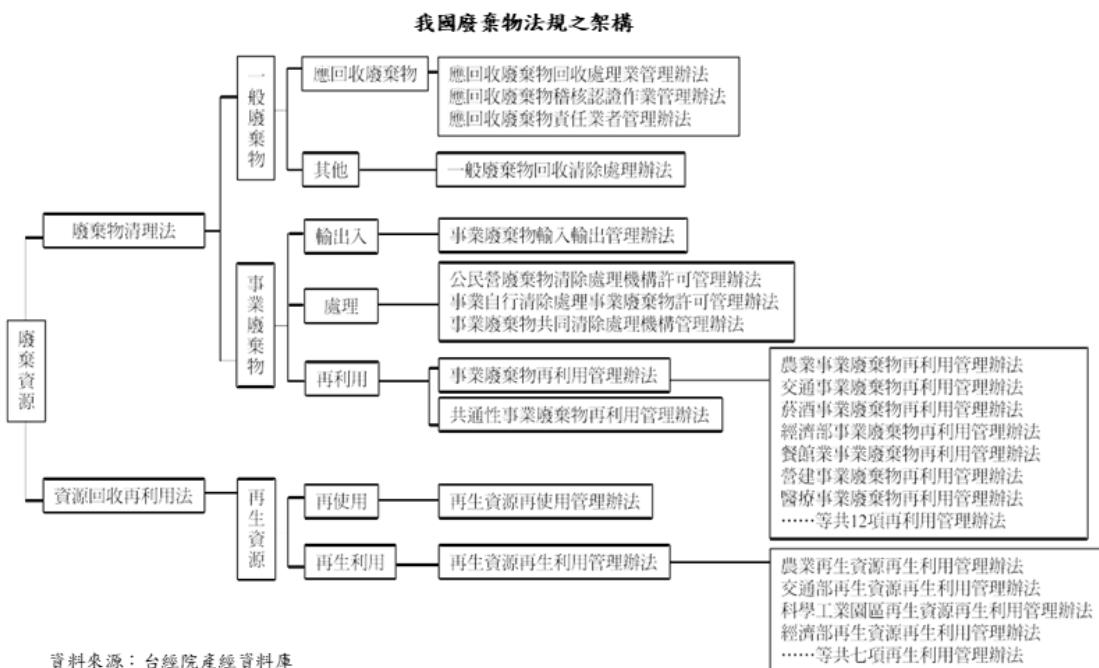
gas prices in Europe and a sharp rise in local electricity prices. As a result, high-energy-consuming caustic soda industries were forced to reduce production or even halt exports. To compensate for the supply gap, European customers began to import large quantities of caustic soda, driving up prices in Asia. This led to an increase in caustic soda prices and, consequently, an increase in sales value. In 2022, as the COVID-19 pandemic gradually eased and various places began to lift restrictions, people's lives gradually returned to normal, and economic recovery gradually resumed. Domestic and international economic growth, along with increased manufacturing activities, have driven the prosperity of the wastewater treatment industry. Consequently, there has been a rise in the overall sales value of wastewater treatment chemicals compared to 2021. In 2023, market supply experienced a decline due to maintenance and production abnormalities at the caustic soda plant. Furthermore, the global economy was affected by contractionary monetary policies and inflation, leading to a decrease in terminal demand momentum. With businesses adopting a cautious approach to investments, both consumption and investment momentum slowed down. Additionally, ongoing inventory adjustments within the industrial chain contributed to a downturn in the wastewater treatment industry, resulting in a 28.88% decrease in the overall sales value of



(C) Waste Transportation Industry

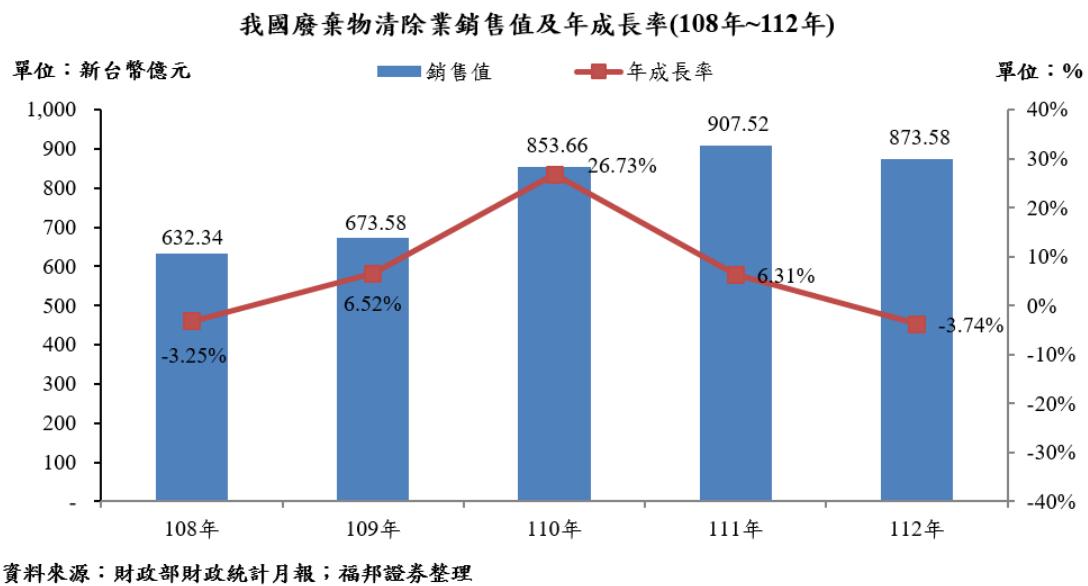
In Taiwan's waste removal industry, the concept of the circular economy has become a popular topic in recent years, following President Ing-Wen Tsai's

inauguration speech in 2016, where she designated it as one of the "The 5+2 Industrial Transformation" policies. The concept of a circular economy encompasses the redesign of manufacturing processes at the source, the extension of product lifespan, and the principles of waste removal, recycling, and reuse. Waste disposal and recycling primarily involve waste collection, recycling, and treatment, along with relevant pollution control measures. Therefore, waste transportation is an aspect of the circular economy and a crucial component of our country's waste regulatory framework. The primary regulation for waste management is the "Waste Disposal Act (hereinafter referred to as the Waste Disposal Act)", and its competent authority is the Ministry of Environment in Taiwan. The Waste Disposal Act was enacted in 1974 with the legislative objective of waste removal and environmental sanitation improvement. Concerning the definition and categorization of waste, the act classifies waste into general waste and industrial waste, with industrial waste further categorized into general industrial waste and hazardous industrial waste. As for the responsibilities of competent authorities, the Ministry of Environment formulates methods for recycling, processing, and reuse of general waste (including general industrial waste). On the other hand, the reuse of industrial waste is governed by the respective competent authorities of each industry. For instance, the Agriculture Council oversees the "Regulations on the Reuse Management of Agricultural Industrial Waste," and the Ministry of Transportation manages the "Regulations on the Reuse Management of Transportation Industrial Waste." Additionally, each municipality/city (county or city) government is tasked with accepting and reviewing industrial waste cleaning plans, issuing control numbers for reuse organizations, and conducting inspections on these organizations. The main framework of waste-related regulations in our country is as shown below.



In terms of the market development of the waste disposal industry in Taiwan, according to data from the Ministry of Finance's monthly reports (as shown in the table below), the industry's sales value has increased from approximately \$63.234 billion in 2019 to about \$87.358 billion in 2023, with a compound annual growth rate (CAGR) of approximately 8.41%. In recent years, the rise of green, environmental protection, energy-saving, and recycling industries, coupled with increasing environmental awareness and stricter waste disposal regulations, has contributed to the growth of domestic waste transportation needs. As a result, the sales value of the waste transportation industry has generally shown an increasing trend. From 2020 to 2021, the escalation of the US-China trade war led to an increase in Taiwanese businesses' inclination to repatriate and invest in local manufacturing facilities, consequently driving growth in related environmental treatment demands. Additionally, during the COVID-19 pandemic, there was a surge in medical and pandemic-related waste generation, contributing to a sustained growth in general business waste transportation needs. As a result, the industry has experienced continuous recovery and growth from 2020 to 2022, with its sales value in 2022 increasing by approximately 6.31% compared to 2021. In 2023, the global economy felt the impact of tight monetary policies and inflation, resulting in a decline in end-user demand. Manufacturers adopted a cautious approach towards investment, and coupled with a slowdown in consumption and ongoing inventory adjustments within the industry chain, this led to a

slight decrease of 3.74% in the sales value of the Waste Transportation Industry compared to 2022. The overall enhancement of environmental awareness in our country, coupled with the ongoing COVID-19 pandemic and continued epidemic prevention measures, among other factors, continues to provide support for the growth potential of waste transportation demands. Additionally, the Environmental Protection Administration plans to revise regulations such as the "General Waste Recycling and Disposal Measures" and the "Common Industrial Waste Reuse Management Measures." The primary objective is to expand the business scope and recyclable waste items for recycling operators, aiming to increase their waste disposal volume and revenue. This initiative is expected to stimulate the demand for waste transportation services among the aforementioned operators.



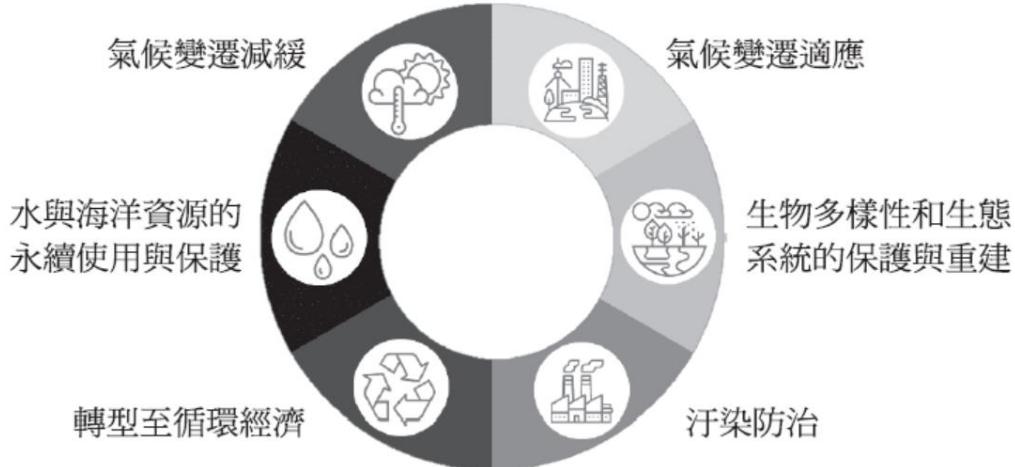
B. Industry Growth and Trends

As global warming intensifies and extreme weather events become more frequent, and with the ongoing COVID-19 pandemic and the conflict between Ukraine and Russia, there is a heightened focus on the resilience of businesses in the face of a rapidly changing operating environment. This has led to increased attention on environmental, social, and governance (ESG) and sustainability concepts as key factors in investment decisions. Additionally, recent dissatisfaction with criminal judgments related to water pollution, which have failed to adequately punish illegal manufacturers, has prompted the Taiwan Environmental Protection Department to tighten emission standards for industrial wastewater. This tightening will occur in three phases, starting in 2021, followed by 2024 and 2027. The new regulations will affect various manufacturing industries, including semiconductor manufacturing,

optoelectronic materials production, chemical manufacturing, basic metal processing, metal surface treatment, electroplating, and printed circuit board manufacturing. These industries typically involve significant heavy metal usage and wastewater discharge. The regulations will also apply to wastewater sewerage systems in science-based industrial parks, petrochemical professional areas, and other industrial zones. Specifically, the new standards will impose stricter limits on the discharge of nine heavy metals: cadmium, lead, total chromium, hexavalent chromium, copper, zinc, nickel, selenium, and arsenic. Additionally, a new regulation will be introduced for tin. The limits will vary based on the scale of wastewater discharge. Furthermore, in an effort to reduce the total amount of ammonia nitrogen discharged into water bodies, regulations on ammonia nitrogen emissions will be imposed on five industries: metal surface treatment or electroplating, leather manufacturing from raw hides, waste dump fields, power plants, and other industrial zones excluding petrochemical professional areas.

The Guidelines for Identification of Sustainable Economic Activities in our country, structurally, draw heavily from the EU standards for sustainable classifications (detailed in Figure 1 below). These guidelines encompass six major environmental indicators: climate change mitigation, climate change adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. As sustainable development and the transition to net-zero emissions become global imperatives, governments worldwide are progressively enhancing ESG norms and regulations. In December 2022, our country's Financial Supervisory Commission, in collaboration with the Ministry of Environment, Ministry of Economic Affairs, Ministry of Transportation, Ministry of the Interior, and other departments, jointly announced the "Guidelines for Identification of Sustainable Economic Activities" (illustrated in Figure 2 below). These guidelines provide the industry with a standardized and comparative framework to identify and recognize sustainable economic activities. By encouraging voluntary disclosure by enterprises and leveraging the financial industry's resources, the aim is to drive the entire industry towards achieving the goal of net-zero carbon emissions.

Figure 1. The standards establishment of sustainable classification by the European Union



資料來源：Technical Expert Group Final Report on the EU Taxonomy、台經院繪製(2023)。

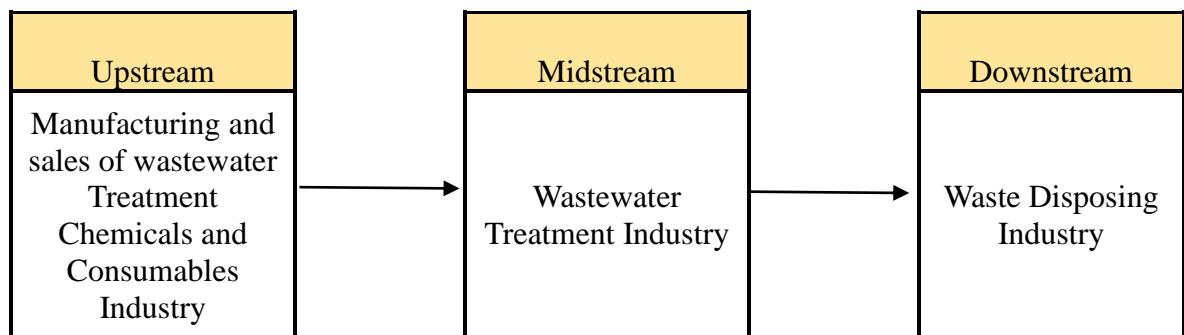
Figure 2. Financial Supervisory Commission (2022) Reference Guidelines for Sustainable Economic Activity Recognition

類別	一般經濟活動(共16項)	前瞻經濟活動(共13項)
「適用本指引之經濟活動」	<p>◆ 製造業(共2項)：水泥生產；玻璃生產。</p> <p>◆ 薈造建築與不動產業(共7項)：新建建築物；既有建築物翻新；建築內高能源效率設備之安裝及維修；建築物或建築物內停車場的電動車充電站之安裝及維修；建築智慧能源管理系統之安裝及維修；再生能源科技設備之安裝及維修；建築物之收購與交易取得。</p> <p>◆ 運輸與倉儲業(共7項)：機車、客車與商用車運輸；客運汽車運輸；貨運汽車運輸；客運軌道運輸；支持低碳公路運輸及公共交通基礎設施；倉儲；低碳機場基礎設施。</p>	1.再生能源的建置 2.氫能技術研發及建設 3.智慧電網及儲能技術研發及系統設置 4.高能效設備製造與高能效技術相關運用 5.低碳運輸技術相關運用 6.行人步行與自行車專用之基礎設施相關運用 7.軌道運輸基礎設施相關運用 8.支持低碳水運之基礎設施 9.碳捕捉、利用與封存(CCUS)技術之研發及創新 10.提供建築節能成效之專業服務 11.提供氣候變遷調適之工程及諮詢服務 12.其他低碳及循環經濟技術相關運用 13.節水、水資源循環利用或新興水源開發等設備或系統設置、技術開發及專業服務
「符合本指引之經濟活動」 (永續經濟活動) 認定條件	<p>同時符合3項條件：</p> <ol style="list-style-type: none"> 1. 對「氣候變遷減緩」具有實質貢獻 2. 未對其他五項環境目的造成重大危害 3. 未對社會保障造成重大危害 	1. 可直接視為對「氣候變遷減緩」具有實質貢獻。 2. 同時符合「未對其他環境目的及社會保障造成重大危害」。

The items "Other low-carbon and circular economy-related technologies" and "Equipment or system installation, technology development, and patent services for water conservation, water resource recycling, or emerging water source development" in the foresight economic activities outlined in the Reference Guidelines for Sustainable Economic Activities are closely linked to the Company's activities in the wastewater treatment industry. The Company is committed to advancing waste resource recycling and sustainable utilization by continuously investing in wastewater treatment and sludge reduction. We have developed proprietary process patents to convert sludge and oxidants generated during the wastewater treatment process, along with collected waste pickling fluids, into a regenerated coagulant (ferric chloride). This approach effectively achieves both

"energy conservation" and "waste reduction" benefits. The recycled coagulant is then reused as a chemical agent in the wastewater treatment process, further reducing sludge volume. In response to the water scarcity crisis exacerbated by climate change, a recycled water service has been established within the factory area. This recycled water meets the standards for discharge and is returned to the factories in the area, contributing to the goal of recycling and reusing water resources. Furthermore, the Company remains committed to leveraging its proprietary and unique technology, along with its extensive experience in wastewater treatment, through collaborative efforts with research and academic institutions. By actively integrating wastewater into sustainable water management initiatives, the company aims to enhance water resource utilization efficiency, promote recycling, and reduce waste. This approach allows the company to contribute to the sustainability of its operations by effectively utilizing water resources in a circular manner. Given the increasingly stringent environmental regulations and the evolving trends in circular economy and sustainable development, the company also anticipates that its efforts will continue to drive future advancements in energy efficiency, waste reduction, and water recovery within its industry.

2. The correlation among the upstream, midstream, and downstream streams in the industry



3. Product Trends

Due to the increasing environmental awareness in recent years, the Environmental Protection Administration of Executive Yuan has gradually tightened regulations on wastewater from for-profit enterprises, hoping to avoid damage to the environment caused by enterprise wastewater. Therefore, all enterprise wastewater must meet the requirements of the Environmental Protection Administration before it can be discharged.

The Company's primarily specializes in providing treatment services for wastewater and acidic wastes solutions containing general heavy metals, chromium series, nickel series, and ammonia nitrogen. Following is a discussion on the trends and competitive landscape of wastewater treatment and spent pickling liquor, considering factors such as

generation, legislation, management, technology, as well as their respective strengths and weaknesses:

(1) Production Aspect

① General heavy metals, chromium compounds, nickel compounds, and wastewater containing ammonia nitrogen

In recent years, the standards set by the Environmental Protection Administration for discharged water quality have become increasingly stringent. With each industry generating different types of wastewater, and industrial waste becoming more complex, it has become essential to segregate wastewater types or quality. By doing so and selecting the appropriate treatment process, the most effective treatment and recovery efficiency can be achieved.

② Spent Pickling Liquor

Acids serve as fundamental chemical ingredients in various industrial processes, with their functions differing depending on the specific application. In industries like metalworking, electronics, and glass manufacturing, acids are primarily utilized for surface treatment of objects. Conversely, in sectors such as petrochemicals, chemicals, and chemical products, they are often employed as consumable raw materials and for reaction processes. Consequently, when acids used in processes lose their original characteristics or functionality due to impurity infiltration or post-reaction changes, they are termed acidic wastes.

(2) Legal Aspect

The Environmental Protection Administration of the Executive Yuan established the Water Pollution Control Regulations as early as 1974, and the Ministry of Economic Affairs also set up the Regulations for the Management of Industrial Waste Recycling in 2002. In addition, as environmental awareness increases day by day, the standards of relevant environmental regulations are becoming more and more stringent. Administrative authorities are becoming increasingly strict in issuing various licenses, which consequently leads to increased technical and equipment costs for the wastewater treatment industry. Therefore, the laws and policies set by the government have a certain degree of influence on wastewater treatment operators.

In response to recent announcements or drafts revising water pollution control laws, environmental protection authorities have been continuously amending or adding various provisions to these laws. These revisions are made to align with industry best practices and the need for water quality improvement. These initiatives aim to staunchly eliminate illegal speculation and enhance the management of

high-risk pollution sources. The revisions include adding, revising, and simplifying regulations for testing reporting and permit review. Moreover, there are increased stringency and integration of discharge standards for specific industries and effluent discharge. Specific standards for discharge control have been established for entities that do not meet regulatory thresholds. Additionally, each county and city has taken measures such as announcing total control zones or tightening effluent water standards within their jurisdiction for bodies of water that are unique or require special protection.

Therefore, in an integrated assessment of the short-term trends in water pollution control, the Environmental Protection Administration will continue to review and amend discharge standards (such as adding ammonia nitrogen control for specific industries) and broaden the scope of regulated entities while strengthening the hierarchical management system for businesses (such as revising the classification definitions for regulated industries). Local governments may also expand efforts to promote total control zones or tighten effluent standards for local water bodies (such as the designation of the total control zone for the Agongdian Stream in Kaohsiung City). Consequently, with the collaborative efforts of central and local governments to tighten environmental controls, industries may face significant challenges. It is crucial for them to proactively monitor regulatory developments and stabilize economic development by upgrading pollution control equipment internally or seeking assistance from authorized businesses.

(3) Management Aspect

Due to the wide-ranging nature of wastewater treatment and spent pickling liquor services, the Company caters to clients across various industries, including metal surface treatment, electronic components, chemicals, and textiles. These industries produce significant quantities of wastewater with diverse water quality characteristics. Improper discharge of untreated wastewater directly into ground water bodies could have severe impacts on the environmental ecology. Hence, each stage of the process—from wastewater generation, storage, removal, treatment, to the final disposal of sludge—requires specific management and technical expertise.

Furthermore, as technology advances, people have become more conscious of environmental protection in Taiwan. Whether due to accidents resulting in disasters or environmental pollution, or deliberate discharge of untreated wastewater or spent pickling liquor into surface water bodies, such actions will face strong opposition from the public. Beyond significantly impacting business operations, they will irreversibly tarnish the company's image.

The Company has amassed extensive experience over the years, fostered talent, participated in environmental seminars, and collaborated with academia to innovate new technologies. We specialize in the storage equipment, transportation, and treatment of wastewater and spent pickling liquor from industrial factories, boasting significant technical expertise and service experience in this field. In order to ensure quality management, we have implemented the ISO 9001 system to enhance the quality of our wastewater and spent pickling liquor processing techniques. Additionally, we utilize a GPS system to monitor the removal process of these substances. This allows our customers to track removal traces and monitor direction in real-time via online access. By doing so, we effectively mitigate the legal risks associated with engaging unscrupulous manufacturers.

(4) Technical Aspect

Currently, industrial wastewater is treated not only through facilities established by the business units themselves but also due to the significant quantity and diverse types of industrial wastewater produced domestically. The concentration of water quality varies greatly depending on the different industrial processes. The company has accumulated technology services for external output or improvement over many years of practical experience, mainly in the areas of wastewater treatment (including general heavy metals, chromium, nickel, ammonia nitrogen, etc.) and spent pickling liquor solutions. Below is an explanation of the service and technology offerings:

① Wastewater Treatment

Due to the large quantity and complex types of wastewater produced by domestic businesses, our company adopts the method of wastewater diversion treatment. Below, we explain four treatment methods for general heavy metals, chromium, nickel, and ammonia nitrogen:

1. General heavy metal wastewater and nickel-containing wastewater consist of heavy metals such as zinc, iron, and nickel. Through the chemical coagulation process, solid-liquid separation is achieved, resulting in the formation of insoluble metal hydroxides, which are then removed through sedimentation separation. By employing this processing method, the metal ions that can be removed include chromium, copper, nickel, zinc, cadmium, lead, and iron, among others. To ensure compliance with discharge water standards, the pH range for precipitating various metal ions varies. Due to the coexistence of multiple metal ions, the optimal pH range for precipitation may vary slightly, typically between 8 and 10. In practice, beaker tests should be conducted based on the characteristics of the

wastewater in each factory to determine the necessary pH range.

2. Chromium-containing wastewater is a crucial part of the pre-completion processing in the electroplating process, contributing to enhancing product attributes such as corrosion resistance, wear resistance, conductivity, and gloss. However, due to the use of toxic chemicals in certain stages of electroplating and the need for multiple part washing operations, the resulting wastewater often contains highly polluting substances, posing significant risks to human health. Typically, chromium-containing wastewater is treated using the chromium reduction method. This involves adding the reducing agent sodium bisulfite under acidic conditions to reduce hexavalent chromium to trivalent chromium. Subsequently, sodium hydroxide is added to adjust the pH level, facilitating the formation of trivalent chromium hydroxide, which precipitates and separates from the wastewater.
3. The primary source of ammonium nitrogen in wastewater is the addition of ammonium chloride as a complexing agent in the electroplating process. To eliminate ammonium nitrogen, an air stripping method is employed. This technique utilizes mass transfer effects to separate ammonia from the water phase under alkaline conditions, typically conducted in a stripping tower. The separated gaseous ammonia can be recovered through water or acid, and it holds recycling value when its concentration is high.

② Spent Pickling Liquor

The spent pickling liquor is a waste product generated by the metal surface treatment industry, where concentrated hydrochloric acid is used to clean metal surfaces and remove rust from iron surfaces. As a result, the waste liquid contains iron ions. In wastewater treatment plants, during the coagulation and sedimentation process, iron salt or aluminum salt coagulants are added, resulting in sludge containing iron or aluminum hydroxide after sedimentation. Additionally, an oxidizing agent is added to oxidize the organic substances in the sludge. The sludge, spent pickling liquor, and oxidant are then mixed to produce a regenerated coagulant (ferric chloride).

In summary, pollutants in the water body are converted into sludge through chemical treatment in the wastewater treatment process, thereby achieving water purification. The sludge generated in the wastewater treatment process is considered both a waste and a resource, depending on the treatment method chosen. Classified primarily as inorganic sludge, various reduction techniques

are applied to different types of sludge based on their main constituents to minimize sludge volume and reduce the costs associated with subsequent sludge treatment and disposal.

The Company has successfully combined sludge, spent pickling liquor, and oxidants to produce a regenerated coagulant, thereby reducing the volume of sludge. Furthermore, this regenerated coagulant can be utilized in the wastewater treatment process as a chemical agent for sludge coagulation and precipitation.

4. Product Competition

Currently in Taiwan, surplus wastewater treatment involves collecting wastewater generated during the production processes of public, private, or small and medium enterprises. This wastewater is categorized into general wastewater or hazardous wastewater based on the raw materials utilized in the processes. In general, public, private, or small and medium-sized enterprises may commission third parties to handle wastewater produced during their manufacturing processes in two main scenarios. Firstly, the enterprise may not have wastewater treatment facilities installed. Secondly, even if the enterprise has installed wastewater treatment facilities, the treated wastewater may not meet effluent water standards, and the enterprise may be unable to obtain or extend discharge permits for surface waters.

The Industrial Wastewater Treatment industry requires relevant practical operational experience and adherence to environmental laws and regulations. Currently, there are no publicly listed companies of a comparable scale domestically for reference in this field.

(III) Overview of Research and Development

1. The technical levels of the company's operations and research and development

The Company focuses on domestic wastewater and spent pickling liquor treatment. The technical department laboratory conducts research to improve various operations based on the concentration of incoming wastewater or acidic wastes. With accumulated experience, including treating different types and concentrations of wastewater or acidic wastes, the laboratory staff can develop specific operation modes tailored to each wastewater and acidic waste's characteristics. This ensures optimal quality assurance and control during factory operations.

2. Research and Development Personnel's Education and Experience

The Company's research and development team holds college degrees or higher and possess abundant work experience, demonstrating the Company's prioritization of the team's quality and experience.

Unit: Person

Year Education	2022	2023	2024 As of April 11
Doctoral and Masters	6	6	5
Bachelor's Degree (including Junior College)	4	5	5
Include and Below Senior High School	-	-	-
Total	10	11	10
Average Years of Service (years)	5.9	7.4	7.8

3. The research and development expense and the successfully developed technologies or products that were invested in each year over the past five years

(1) Investment in research and development expenses for over the past five years

Unit: NTD 1,000

Year Items	2019	2020	2021	2022	2023
Research and development expense	6,674	10,674	15,083	12,322	13,841
Net Operating Revenue	495,819	490,781	600,094	672,972	609,242
Percentage (%)	1.35%	2.17%	2.51%	1.83%	2.27%

(2) Successfully developed technologies or products

Year	Developed technologies or products
2021	<ul style="list-style-type: none"> The technology for recycling and reusing wastewater generated from nickel electroplating Expanding the application of ammonium chloride recycling technology in actual factory operations
2022	<ul style="list-style-type: none"> The recycling and recovery of ammonium chloride from electroplating plant wastewater for crystallization into ammonium chloride
2023	<ul style="list-style-type: none"> Using SBR to remove organic pollutants from wastewater

(IV) Short and Long-term Business Development Plan

In pursuit of sustained and steady growth, the Company devises short and long-term development plans based on regulations announced by the Environmental Protection

Administration and market characteristics. In the short-term plan, our primary focus is on existing clients, potential collaborators, and current technologies to expand our business applications and secure our position in the industry.

The long-term plan involves the development of advanced technologies for wastewater treatment and recycling, targeting complex projects across multiple domains to address challenging wastewater issues. Additionally, it aims to expand the Company's wastewater treatment technology services to markets beyond central and southern Taiwan, serving as a source of long-term and stable treatment solutions. Furthermore, the Company aligns its spent pickling liquor solution initiatives with the promotion and implementation of reuse management measures announced by the Industrial Development Bureau, Ministry of Economic Affairs, reinforcing its commitment to sustainable business operations.

1. Short-term Plan

The main reason is the incomplete early environmental regulations and insufficient public awareness of environmental protection. Pollution prevention technology in various factories was also not perfect. Consequently, in recent years, due to the transformation of industrial structures and strict enforcement by environmental bureaus in various counties and cities, there has been an increase in events such as heavy fines or continuous closures of polluting industries for failing to meet environmental regulatory standards. Assisting and guiding factories to comply with environmental regulations can bring more stable development opportunities to enterprises. This market has been a key focus of the Company's development efforts in recent years. Business volume has steadily increased annually due to the support and guidance provided to factories to comply with environmental regulations. Many major domestic corporations are compelled to seek assistance due to factors related to environmental laws. Therefore, the Company's wastewater treatment technology and waste acid rinse reutilization technology have well-established handling procedures, allowing us to offer our clients the most comprehensive services. Future environmental regulations are expected to become more stringent, leading to a predictable and continuous expansion of the market. In particular, major domestic multinational corporations are likely to emerge as key clients.

- (1) To ensure the smooth operation of processing techniques, it's essential to implement quality policy, objectives, and audits of the quality system.
- (2) Continue to deepen on developing key industries, such as the metal surface treatment sector, electronic components manufacturing, and medical chemical products production.
- (3) Strive to uphold the reputation of existing customers, enhance customer satisfaction, and promote through customer marketing efforts.

- (4) Continuously expand the marketing scope by participating in seminars and events, including briefings organized by the Environmental Protection Administration or other regulatory authorities.
- (5) Continuing collaboration with the academic community to develop new technologies.

2. Long-term Plan

The Company implemented the ISO 9001 quality management system in 2014, conducting rigorous QA/QC operations in the processes of wastewater treatment and the recycling and reutilization of spent pickling liquor. This ensured the high quality and compliance of the treated wastewater and the regenerated coagulant (ferric chloride) with the Sewerage Management Regulations of the industrial park and the Reutilization Management Regulations announced by the Ministry of Economic Affairs. This move aimed to achieve quality goals effectively. Furthermore, in 2016, the Company introduced the ERP system, employing a modular approach to manage key tasks across the internal value chain, including financial accounting, supply chain, operations, reporting, manufacturing, sales, and human resources activities. This facilitated collaborative efforts to establish a seamless system, enhancing the overall internal operations of the Company.

We will continue to collaborate with the academic community in research and development in the future, as well as patent strategies, to enhance our company's wastewater treatment technology and bolster our brand image. At the same time, we endeavor to maintain high-quality, efficient operations in wastewater treatment and the recycling of spent pickling liquor. Our efforts emphasize environmental protection and minimizing risks to occupational health and safety.

II. Market and Sales Overview

(I) Market Analysis

1. Main products (services) in sales regions

Items	2022		2023	
	Sales Amount	%	Sales Amount	%
Local	672,972	100.00	609,242	100.00
Export	-	-	-	-
Total	672,972	100.00	609,242	100.00

2. Market share

The Company's primary business revolves around wastewater treatment, comprising

approximately 80% of the consolidated revenue. This includes the manufacturing and sale of wastewater treatment chemicals and consumables, as well as peripheral services such as waste transportation and disposal. Given the significance of the core business, the estimated revenue is based on the sales value of the wastewater treatment industry in the country.

According to statistics from the Ministry of Finance's Monthly Statistical Bulletin, Taiwan's Wastewater Treatment industry had an estimated sales revenue of approximately \$19.495 billion in 2023. Based on our Company's individual operating revenue of \$519 million for the same year, our market share in Taiwan's Wastewater Treatment industry was around 2.66%. With regulations on effluent standards becoming increasingly stringent and phased control standards for ammonia nitrogen amended by environmental laws, our subsidiary, Ping Ho Materials Technology, has introduced a new process for recycling and reusing ammonia nitrogen wastewater. Looking ahead, this initiative not only allows for optimization of our product portfolio and gradual improvement in overall operational efficiency for the group but also enables us to meet the evolving needs of the environmental protection industry. By implementing a circular economy approach, we aim to create the greatest benefit for the group and provide opportunities for future growth in the Company's market share.

3. Market Future Demand and Growth

With global climate change and the increasing impact of extreme weather events, the domestic risk of water scarcity is on the rise. Preserving water resources has become a critical focus for the future. In March 2023, the National Development Council approved the Environmental Protection Administration's "Sustainable Water Quality Promotion Plan 2.0 - River Environmental Quality Improvement Plan (2024 to 2027)". This plan will implement three major strategies: "pollution source reduction", "water quality purification", and "sustainable environmental management". Upon completion, the plan is expected to reduce Biochemical Oxygen Demand in river discharges by 3,285 metric tons/year, equivalent to reducing the pollution generated by approximately 225,000 people in a year. Additionally, it aims to reduce carbon emissions by 5,730 metric tons/year and create a carbon sequestration volume of 280 metric tons/year. The Environmental Protection Administration, by integrating cross-departmental capabilities, governs water pollution prevention by combining source control and end-point treatment methods, while also considering the benefits of carbon reduction. This gradual transition aligns with Taiwan's efforts to improve the quality of the water environment, enhance public experiences near water bodies, and support the promotion of the 2050 Net Zero Transition Policy. Based on the "2022 Kantar Taiwan and LifePoints Sustainability Report" from Kantar

Insight/LifePoints, water-related issues rank 2nd and 3rd respectively are Taiwanese consumers care the most in the issues of sustainable development. These include "clean and safe water resources" and "water pollution." This underscores the public's keen attention to water pollution and cleanliness. As the momentum for sustainable development grows, corporations are increasingly conscious of wastewater issues. This awareness may stem from their own initiatives or in response to consumer demands and scrutiny. These efforts collectively contribute to addressing water pollution concerns. Moreover, ongoing government guidance aids industries in enhancing their wastewater treatment capabilities, complemented by stringent inspections and penalties to encourage improvement. Continuous public vigilance and reporting of wastewater issues can further compel industries to address water pollution concerns. This creates a demand for wastewater treatment services. By integrating Environmental, Social, and Governance (ESG) considerations into their operational strategies, companies can preemptively mitigate environmental pollution and excessive energy consumption. Simultaneously, they can provide customers with high-quality products and services. This not only fosters the sustainable operation of enterprises but also generates positive impacts and growth within the supply chain ecosystem.

Currently, there are no other private wastewater treatment providers in the country that capable of processing undertake the task of continuously treating untreated industrial wastewater from different industries continuously for 24 hours without prior treatment, nor competitors from the same industry entering the capital market. In order to process untreated wastewater continuously from various industries for 24 hours without prior treatment, it requires years of accumulated on-site experience in wastewater treatment to adjust different parameters accordingly. The system must be flexible enough to manage the water quality of each batch to achieve degradation effects. Effective and substantial monitoring should occur at the discharge point to meet the standards for discharge water. This presents certain challenges for the industry. However, customers can rest assured that the wastewater treated by our company will not violate environmental regulations and result in penalties.

4. Competitive Advantage

(1) One-stop services to achieve economies of scale

Due to ongoing improvements in industrial production processes, the wastewater generated and the heavy metal/waste components contained therein are becoming increasingly complex across various industries. The Company plans to implement separate treatment processes for different types of wastewater or water quality. Additionally, The Company stands as the sole wastewater treatment operator capable

of directly accepting untreated wastewater and continuously processing different industrial water systems 24 hours a day. Through neutralizing acidic and alkaline wastewater from various industries and mastering key formulae for chemical dosing, we can effectively achieve both efficiency and flexibility in wastewater treatment. The Company integrates upstream and peripheral services such as Wastewater Treatment, Manufacturing and sales of wastewater Treatment Chemicals and Consumables, and Waste Transportation. It allows us to provide one-stop services for customers and benefit from economies of scale.

(2) Resource recycling and reuse for the effectiveness of the circular economy

The Company utilizes its patented technology to transform spent pickling liquor and sludge generated during the wastewater treatment process into regenerated coagulant. This process reduces sludge volume and allows the regenerated coagulant to be used as a medication for sludge coagulation and precipitation during wastewater treatment. Not only can the regenerated coagulant be sold, but it also helps in saving costs associated with wastewater treatment medication and waste disposal. The Company also offers recycled water services that meet discharge standards to local manufacturers, temporarily alleviating water scarcity issues and promoting waste reduction and water conservation through recycling. For wastewater containing a higher concentration of ammonia nitrogen, the company has developed a new process to recycle and regenerate the ammonia nitrogen into ammonium chloride. Additionally, it is continuously developing more waste reduction processes and other products for recycling and reuse, such as plating solution recovery and reclaimed water development.

(3) Systematic monitoring of water quality and automated management of chemical addition

The Company has adopted the ISO9001:2005 quality management system, implementing rigorous quality control in both the Wastewater Treatment process and the recycling process of spent pickling liquor. This ensures that the treated wastewater meets high-quality standards and complies with relevant regulations. Through systematic information feedback and automated medication mechanisms, we can effectively monitor and control water quality. By integrating various types of information into actionable management insights, we aim to reduce operational costs and enhance efficiency.

(4) Establish processing plants within industrial clusters to offer real-time services in close proximity

The Company's wastewater treatment facility is strategically located within the

renowned screw/nut industry cluster in Gangshan District, Kaohsiung, Taiwan, Benzhou Industrial Park. This area boasts a large concentration of small and medium-sized enterprises. In addition, the Gangshan District of Kaohsiung and the Luzhu area are well-known for their screw industry clusters and numerous metal surface treatment-related manufacturers. As a result, there is a significant volume of electroplating and pickling wastewater generated in the area. For many manufacturers, the cost of setting up their own wastewater treatment facilities and hiring specialized technical personnel can be prohibitively high. By offering immediate services in close proximity, the Company assists customers in resolving their process wastewater issues. Additionally, in recent years, the Company has established a subsidiary, Ping Ho Materials, in the Tainan Science and Technology Park. It aims to expand the options for Wastewater Treatment services for factories in the industrial park or in the Tainan area, leveraging its experience in treatment services. Emphasizing the recycling and reuse of high ammonium nitrogen wastewater, and introducing a reclaimed water system, the reclaimed water produced is sold for industrial use, primarily for secondary use in the industrial park.

- (5) The business of manufacturing and sales wastewater treatment chemicals and consumables benefits from economies of scale in procurement, as well as the capability to provide customized drug mixing services and recommendations.

The Company's business of manufacturing and sales wastewater treatment chemicals and consumables serves not only the wastewater treatment industry but also includes the independent development and formulation of processing chemicals for manufacturing industries requiring wastewater treatment. Additionally, the Company provides customers with relevant advice on wastewater treatment. Therefore, it can leverage economies of scale in procurement, providing cost and price advantages compared to customers sourcing from other manufacturers on their own.

- (6) The Waste Transportation Industry possesses platform matching capabilities, offering waste transportation services for a wide range of waste types nationwide.

The Company's operations in the Waste Transportation Industry are managed by two subsidiaries, Ching Jing and Wan Jing Industrial Co., Ltd., both of which have been in the industry for over 10 years. They maintain excellent relationships with various waste treatment organizations. In addition to offering waste transportation services for a wide range of waste types, our platform matching capability allows us to match each customer's different waste code categories with the most suitable downstream waste treatment organizations. Our waste transportation services cover the entire country and are not limited to specific regions.

5. Advantageous and disadvantageous of corresponding strategies and prospects

(1) Advantageous Factors

- ① Increased environmental protection awareness, emphasis on sustainable development, and tightening environmental regulations

In the early stages, due to incomplete environmental laws, insufficient public awareness of environmental protection, and inadequate attention to issues like sustainable development, instances of illegal discharge of wastewater/waste from polluting industries or failure to meet environmental standards resulted in increasing penalties and closures by government authorities. However, since the release of the documentary "Beyond Beauty - TAIWAN FROM ABOVE" by director Po-Lin Chi, there has been a significant increase in public awareness of environmental issues. Additionally, the government has revised stricter water pollution control regulations and intensified promotion and inspection efforts, leading to an improvement in the situation regarding illegal wastewater discharge by manufacturers. Furthermore, manufacturers are now seeking out legal and compliant waste management companies to handle their wastewater treatment. In alignment with the Environmental Protection Administration's tightened regulations on ammonia nitrogen (NH₃-N) effluent standards, the Company underwent an upgrade of its deammonification equipment in 2021 to comply with the requirements. This initiative was undertaken to meet the Environmental Protection Administration's adjustment of the NH₃-N discharge limit from the original 75mg/L to 30mg/L in 2024 for Wastewater Treatment measures.

- ② Small and medium-sized enterprises (SMEs) often lack the capability to handle wastewater treatment independently. In recent years, outsourcing has emerged as a trend in the industry.

For a long time, small and medium-sized enterprises (SMEs) have accounted for over 98% of all businesses in Taiwan. While each SME may produce a relatively small amount of wastewater (or pollutants), managing this waste requires specialized wastewater treatment techniques, equipment, and trained personnel. Therefore, SMEs often struggle with challenges such as lack of economies of scale, suitable treatment facilities, technical expertise, skilled labor, and financial resources. These challenges can diminish their willingness to invest in improving wastewater management or complying with regulatory requirements, leading to unfortunate instances of illegal discharge. In recent years, businesses have increasingly recognized the advantages of outsourcing

wastewater treatment operations to professional providers. This approach allows them to ensure compliance with legal regulations and achieve cost savings. The benefits of this specialized format have become apparent to operators, leading to the normalization of wastewater outsourcing. This trend is beneficial for the Company's future business expansion and growth in operational scale.

(3) Good customer relationships and a diverse range of industries help mitigate risks

The Company is a professional Wastewater Treatment operator with clients throughout and beyond the continent's industrial zones. They have established excellent business cooperation relationships with their clients over the years, proving the affirmation of their services. In the future, they will continually leverage their professional services and outstanding treatment outcomes to strengthen business relationships with clients, meet market demands, provide clients with wastewater treatment suggestions based on user feedback, and offer recycled water to help clients reduce water usage. Additionally, the Company's clientele spans various industries, including screw and nut manufacturing, metal surface treatment, cosmetic manufacturing, and printing, among others. The diversity of industries among its customers helps mitigate the risk of overreliance on any single sector.

(2) Disadvantageous Factors

(1) The operational status is significantly influenced by the economic cycles of our customers' industries

The Company is a professional industrial wastewater treatment service provider. Although we have integrated upstream and downstream businesses, spanning services from water treatment chemicals to wastewater and sludge clearance, our main business and product remains wastewater treatment. Therefore, our operations are affected by the economic fluctuations of client industries. If a client reduces its production, the amount of production wastewater also decreases. If the overall economic situation is poor and forms a long-term event, it may continue to cause varying degrees of negative impact on all sectors. The industry in which the Company operates does not have obvious cyclical fluctuations, and the degree of impact from client-side economic changes on our operations is relatively low. However, under the influence of systemic risk in the overall economy and industry, the Company cannot remain unaffected, and its operations may also be impacted.

Response Measures:

The Company operates by handling wastewater treatment business for

clients from various industries. We are planning to expand our operations by establishing a new subsidiary and factory in the Tainan Science and Technology Industrial Park. Additionally, we aim to diversify our services by adding ammoniacal nitrogen wastewater treatment and reuse services, as well as introducing recycled water use. These initiatives are intended to diversify customer industry risks, geographical operation risks, and expand our operations to reduce the likelihood of being affected by market shocks.

- ② The total amount of wastewater treatment and the addition of new sources for wastewater intake require approval from the competent authority. Additionally, operational growth momentum can be easily restricted by geographical constraints

While the Company has consolidated and offered upstream and peripheral services for Wastewater Treatment, its primary operational focus remains on Wastewater Treatment. However, the scale of this business operation is tied to the maximum daily wastewater treatment volume approved by regulatory authorities. Any changes in the sources of wastewater intake, adjustments to the Company's or customers' processes and capacities, require amendments to the "Water Pollution Prevention Measures Plan and Permit (Document)", which must be approved by the regulatory authorities. Considering customers' transportation costs, the Company primarily handles wastewater from customers located near the factory. If the volume of wastewater collected at the Company's processing sites is nearing the upper limit approved by local authorities, the surplus of wastewater available for treatment becomes limited. This can easily constrain the potential for operational growth.

Response Measures:

The Company remains dedicated to its current operations and serving clients within the industrial area. Additionally, it offers recycled water services to local factories, meeting discharge standards. This helps reduce discharge volume and increases wastewater treatment capacity. The company plans to build a new factory in Tainan Science and Industrial Park through a newly established investment subsidiary, Ping Ho Materials Technology Co., Ltd. Future wastewater will undergo biological treatment and purification, then be redirected into a regenerated water utilization system. The regenerated water will be sold for industrial or secondary water use in the industrial area. This introduction of recycled water not only allows for the reuse of treated water but also increases wastewater treatment capacity, reduces discharge volume, and

indirectly boosts revenue. Additionally, it contributes to reducing environmental pollution and promotes the benefits of sustainable water resource recycling. Additionally, the Company is evaluating participation in the operation (OT) of industrial water supply systems and wastewater sewerage systems in industrial parks or industrial zones of local governments in the future. This initiative aims to enhance the company's overall wastewater treatment capabilities. Furthermore, we plan to increase the recycling and reuse of ammonia nitrogen wastewater and introduce reclaimed water use business, diversifying our operational portfolio and contributing to the future growth momentum of operations.

- ③ The cost of wastewater treatment is influenced by fluctuations in the prices of wastewater treatment chemicals

The Company primarily specializes in transporting wastewater through tank trucks or buried pipelines. It gathers wastewater generated by manufacturers in industrial zones and uses chemical agents or consumables to achieve water quality that meets effluent standards through physical and chemical processes. Factors such as supply chain disruptions due to the pandemic, global unrest, and worldwide inflation have led to significant fluctuations in raw material prices in the recent years. As a result, the Company's operational risk has increased, particularly concerning the principal chemicals invested in Wastewater Treatment, including liquid alkali, activated carbon, and heavy metal trapping agents.

Response Measures:

The Company adjusts its procurement of goods based on changes in wastewater volume or water quality. Adopting a cautious approach, it uses the actual consumption of inventory, along with wastewater treatment volume and water quality changes, as benchmarks for procurement volume. This helps prevent over-purchasing or under-purchasing situations. Additionally, the Company regularly monitors raw material supply prices in the market to ensure the reasonableness of purchase prices. The Company has the capability to develop and formulate its own Wastewater Treatment chemicals, such as heavy metal trapping agents. It can also adjust and optimize the compositions of chemical formulas required for the Wastewater Treatment process. These developments can be applied in the purification process, potentially substituting or reducing the usage of higher-priced Wastewater Treatment chemicals or consumables. Furthermore, the Company operates a business selling Wastewater Treatment chemicals and consumables, which offers cost and price competitive

advantages compared to sourcing from other suppliers. In recent years, The Company has strengthened the development of wastewater treatment or downstream recycling product technologies through industry-academic cooperation or commissioned research projects with higher education institutions or external research units. This effort aims to reduce the cost of investment in Wastewater Treatment chemicals.

- ④ The customer opted to establish their own wastewater treatment equipment as scale has grown

As clients' businesses have expanded and environmental regulations in our country have become more stringent, along with the promotion of sustainable development issues, clients are increasingly capable of building or adding equipment compliant with water pollution control. They can independently treat the waste water generated in their processes to meet the effluent standards set by the Environmental Protection Administration or reduce the amount of waste water discharged. This development impacts the operational capacity of the Company.

Response Measures:

The Company primarily focuses on providing Wastewater Treatment services for Small and Medium Enterprises (SMEs). Since Taiwan is largely composed of SMEs, most businesses can only afford to set up simple wastewater treatment processes tailored to their needs. Designing and constructing a comprehensive system capable of treating various types of industrial wastewater would incur high costs. For SMEs, investing heavily in wastewater treatment equipment may not be cost-effective and could be financially burdensome. In addition, with the tightening of environmental regulations in our country and increased scrutiny by central and local environmental authorities, as well as the growing demand for sustainable development, an increasing number of small and medium-sized enterprises find themselves unable to treat their wastewater to discharge standards independently. As a result, they increasingly rely on professional agencies for business wastewater treatment. The Company boasts exclusive Wastewater Treatment technology and proprietary formulations developed in-house. With extensive experience in parameter adjustment, it can flexibly handle the water quality of each batch to meet discharge regulations, ensuring peace of mind for customers. Additionally, all wastewater treated by the Company complies with environmental regulations, eliminating the risk of penalties. The Company currently has limited capacity to accept wastewater,

primarily focusing on this continent's industrial district and surrounding areas. If there is excess capacity, it can be expanded to accommodate wastewater from other regions. Furthermore, The Company is considering participating in the operation of industrial water supply systems and wastewater sewerage systems in local government industrial parks or zones in the future, in order to enhance the Wastewater Treatment capacity of The Company's entire operations. Additionally, we plan to expand the inclusion of reclaimed water utilization business, diversify operation items, and boost future growth momentum.

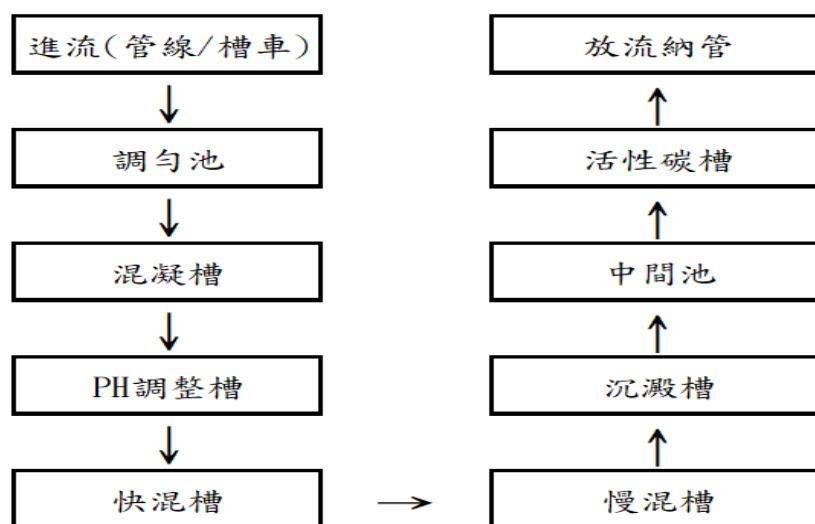
(II) Major Products and Their Production Processes and Purpose

1. Important Uses of Major Products:

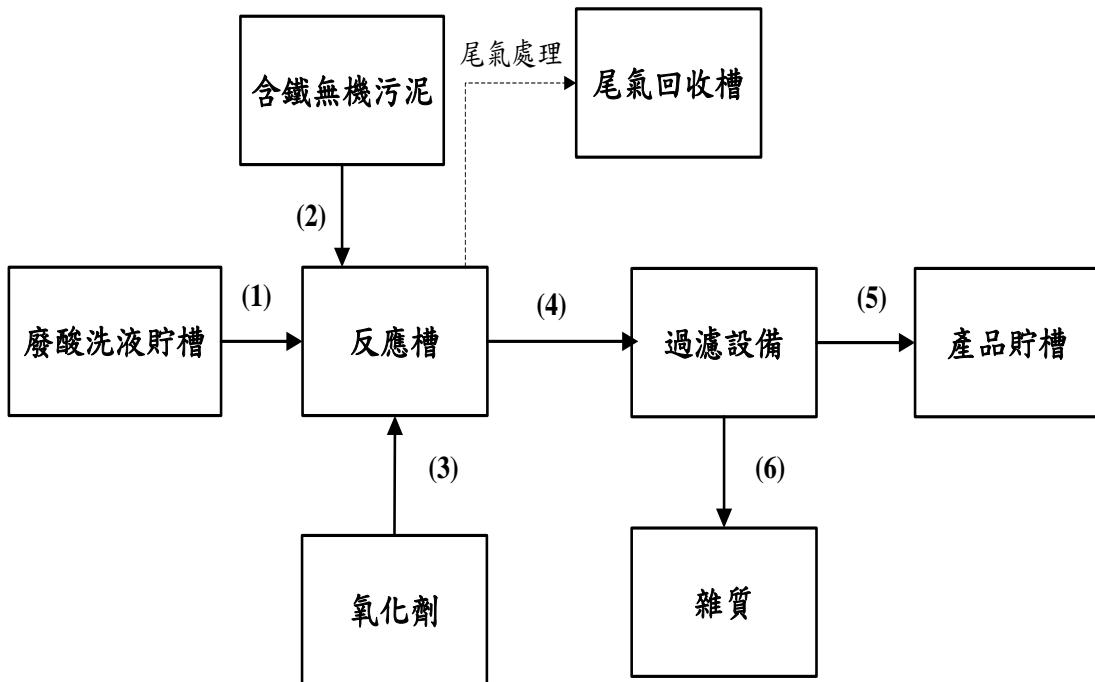
The Company's operations encompass services across the upstream and downstream segments of wastewater treatment. These services include the sale of water treatment chemicals, acidic wastes and sludge transportation, contract treatment of wastewater and acidic wastes, and maintenance and operation of wastewater treatment plants. By integrating upstream and downstream industries, the Company aims to provide comprehensive services. However, its primary focus remains on contract treatment of wastewater and waste acid, enabling customers to manage the wastewater and waste acid generated in their operations. The Company utilizes patented technology to convert acidic wastes and iron-containing sludge into ferric coagulant needed for the wastewater treatment process. This not only promotes resource reuse but also contributes positively to environmental protection.

2. The production process of the Major product:

(1) Wastewater Treatment Process



(2) Process of spent pickling liquor



(III) Supply status of the main raw materials

Name of Raw Material	Supply Situation
Sodium hydroxide	Excellent
Active Carbon	Excellent
Strong oxidizer	Excellent
Heavy metal capture agent	Excellent

The Company maintains long-standing and stable relationships with key suppliers, which should ensure the stability of raw material supply, with no reported instances of supply source interruptions. The Company also continuously monitors market trends and maintains strict quality control and delivery management to ensure the reliability of all raw material supplies.

(IV) Suppliers (customers) accounting for over 10% of total purchases (sales) in the past two fiscal years

1. Information on major suppliers for the past two years

Unit: NTD 1,000

Items	2022				2023				As of the end of the previous quarter of 2024 (Note 1)			
	Name	Amount	Ratio of net purchases for the entire fiscal year (%)	Relation with Issuer	Name	Amount	Ratio of net purchases for the entire fiscal year (%)	Relation with Issuer	Name	Amount	Ratio of net purchases as the end of the previous quarter of the current fiscal year (%)	Relation with Issuer
1	A026	40,843	22	None	A026	33,810	26	None	Not applicable (Note 2)			
2	A001	36,044	20	None	A001	21,954	17	None				
3	A007	24,046	13	None	A007	16,477	13	None				
4	A002	23,929	13	None	A002	14,227	11	None				
5	A030	21,687	12	None	Others	41,666	33	None				
	Others	37,585	20									
	Net Purchase	184,134	100		Net Purchase	128,134	100					

Note1 : As of the date prior to the printing of the annual report, any company listed or traded on securities brokerages should disclose the most recent financial information audited or reviewed by an accountant.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Reason for Change: The Company's primary raw material purchases, including liquid alkali, activated carbon, strong oxidizers, and heavy metal catchers, decreased from each supplier in 2023 compared to 2022. This reduction was primarily influenced by the decline in prices of wastewater treatment chemicals. Overall, the changes were mainly attributed to factors such as customer demand and raw material prices.

2. Major Clients in the Last Two Fiscal Years

Unit: NTD 1,000

Items	2022				2023				As of the end of the previous quarter of 2024 (Note 1)			
	Name	Amount	Ratio of net sales for the entire fiscal year (%)	Relation with Issuer	Name	Amount	Ratio of net sales for the entire fiscal year (%)	Relation with Issuer	Name	Amount	Ratio of net sales as the end of the previous quarter of the current fiscal year (%)	Relation with Issuer
1	C1002	92,724	14	None	C1002	75,515	12	None	Not applicable (Note 2)			
2	Others	580,248	86		C4001	74,526	12	None				
					Others	459,201	76					
	Net Sales	672,972	100		Net Sales	609,242	100					

Note1 : As of the date prior to the printing of the annual report, any company listed or traded on securities brokerages should disclose the most recent financial information audited or reviewed by an accountant.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Reason for Change: The primary sources of the Company's revenue include Wastewater Treatment, sales of Wastewater Treatment Chemicals and Consumables, and Waste Removal services. In 2023, the operating revenue decreased compared to 2022, primarily due to the decline in the price of liquid alkali used in wastewater treatment. This necessitated a reduction in the unit price for wastewater treatment services. However, there has been little change in the ranking of major customers over the past two years.

(V) Production in the Last Two Years

Unit: NTD 1,000/ton

Production Year	2022			2023		
	Capacity	Quantity	Amount	Capacity	Quantity	Amount
Major Products (or by department)						
Wastewater Treatment	1,044,810	656,266	328,888	1,044,810	525,093	273,693
Waste Transportation						
Manufacturing and sales of wastewater Treatment						
Chemicals and						
Consumables						
Others						
Total	1,044,810	656,266	328,888	1,044,810	525,093	273,693

Note1 : The Waste Transportation operation is profoundly influenced by factors such as distance, traffic condition, and the client's location, rendering it difficult, at the moment, to standardize output.

Note2 : As the majority of operations involve commodity trading and utilize measurement units such as tons, cans, boxes, etc., data such as production capacity and output are of limited reference value.

Note3 : The primary source of revenue is from operating wastewater treatment plants, and the standardization of production capacity is currently not feasible.

Reason for Change: The global economy experienced a slowdown due to factors such as the

Russia-Ukraine conflict and inflationary pressures in 2023, leading to a decrease in the company's output value compared to the previous year.

(VI) Sales in the Last Two Years

Unit: NTD 1,000/ton

Sales Year	2022				2023			
	Local		Export		Local		Export	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Major Products (or by department)								
Wastewater Treatment	653,638	539,004	0	0	522,146	444,200	0	0
Waste Transportation	(Note 1)	37,509	0	0	(Note 1)	41,800	0	0
Manufacturing and sales of wastewater								
Treatment								
Chemicals and								
Consumables								
Others	(Note 3)	39,094	0	0	(Note 3)	74,526	0	0
Total		672,972	0	0		609,242	0	0

Note1 : The operation of Waste Transportation is greatly influenced by distance, traffic conditions, and the location of customers, thus there's no referential value for the sales volume.

Note2 : Since the majority of transactions involve the buying and selling of commodities, with measurements in units such as tons, cans, boxes, etc., the sales volume data is less reliable as a reference.

Note3 : The primary source of revenue is from operating wastewater treatment plants, and the standardization of production capacity is currently not feasible.

Reason for Change: The global economic slowdown due to the war between Russia and Ukraine and inflationary pressures impacted the Company in 2023, leading to reduced sales volumes compared to the previous year. Additionally, the increased costs of raw materials for Wastewater Treatment chemicals prompted us to raise the Unit Price for Wastewater Treatment, further contributing to the decrease in sales value compared to 2022.

III. The information of employees employed for the two most recent fiscal years, and during the current fiscal year up to the date of publication of the annual report.

Unit: Person

Year		2022	2023	As of the end of the fiscal year April 11, 2024
Number of Employees	Manager	3	3	3
	General Staff	63	64	64
	Production employees	40	43	45
	Total	106	110	112
Average age		39.7	40.2	40.6
Average Years of Service		4.8	5.1	5.1
Education	Doctoral	0.00%	0.00%	0.00%
	Master's degree	8.49%	10.00%	8.93%
	Bachelor's Degree (including Junior College)	42.45%	40.91%	37.50%
	Senior High School	40.65%	40.00%	44.64%
	Include and Below Senior High School	8.41%	9.09%	8.93%

IV. Environmental Protection Expenditure

For the latest fiscal year and up to the date of the publication of the annual report, there were no losses incurred due to environmental pollution, including compensation and violations of environmental regulations found during environmental protection inspections. Therefore, there are no disposals to disclose, including dates, document numbers, violating regulations and provisions, contents of the violation, and disposal details. Additionally, there are no estimated amounts of losses or corresponding measures to disclose. If it is unable to make a reasonable estimate, it should explain the fact that it cannot make a reasonable estimate: None.

V. Labor Relations

(I) The range of employee welfare, continuing education, training, retirement schemes, their execution, as well as labor-management agreements and measures to maintain rights and

interests within the company:

1. Employee welfare measures, continuing education, and training, along with their implementation status

The Company consistently believes that satisfied employees contribute to satisfied customers. Therefore, we strive to take comprehensive care of our colleagues' physical and mental well-being, allowing them to concentrate and find enjoyment in their work. Additionally, The Company has established an employee welfare committee, comprised of staff members, to oversee the planning and implementation of various employee welfare initiatives. The current welfare provisions of The Company are outlined below:

- (1) Year-end bonus.
- (2) Annual salary adjustments are based on performance evaluations.
- (3) Employee cash dividends.
- (4) Labor insurance, health insurance, labor pension contributions, and group insurance.
- (5) Departmental occasional gatherings.
- (6) Regular medical examination for employees.
- (7) Vouchers for festival and birthday.

2. Continuing Education and Training

We provide courses based on job functions, ensuring that each employee possesses the professional skills and knowledge necessary for their respective positions, and ensuring their practical application in the workplace. Meanwhile, we encourage each employee to proactively share knowledge to facilitate learning and experience transfer. We have revamped our new employee training system to facilitate their rapid integration into the organization. Upon on board, we initiate education and training sessions for new hires, followed by a three-month work study and training program implemented by their respective departments. This approach enables new staff to swiftly grasp the company's operational environment and swiftly engage in their roles, thereby reducing the adaptation period. Training includes:

- (1) New Employee Training: New employees receive pre-service training and orientation sessions, supplemented by a mentorship program to aid their integration into the work environment and company culture.
- (2) Professional/ Functional Training: The abilities required for work include skills in Production, Research and Development, Finance, Management, Procurement, Information, etc.
- (3) Liberal Education Training: Company's mission, corporate culture, company values, quality awareness, and occupational safety and health.

(4) Direct Personnel Training: Training on the indispensable knowledge, skills, and operational methods required for on-site in their work.

3. Retirement system and its implementation status

The Company contributes six percent of the monthly salary to each employee's Individual labor pension accounts under the Labor Pension Act (new fund system). When employees meet the retirement conditions, they can apply to the competent authority to withdraw this retirement fund. The Company's employee retirement plan complies with the Labor Standards Act and its related regulations.

4. The status of labor-management agreements and measures to protect employee rights and welfare

The Company places significant importance on internal communication. Apart from holding labor-management meetings, various communication channels are available within the company. Both management and employees mutually respect each other and provide avenues for feedback and improvement, working together towards the company's growth. Up to the present moment, the labor-management relationship has been characterized by harmony, trust, and positive interaction.

The Company establishes all regulations in accordance with government laws, implementing a comprehensive system outlining various management standards. This system clearly delineates the rights, obligations, and welfare provisions for employees, with regular reviews and revisions conducted to safeguard the rights and interests of all employees.

The Company prioritizes the well-being of its employees, striving to provide timely support and maintain smooth channels for employee feedback. Through various interview mechanisms and effective communication channels, we actively identify issues and regularly review management measures and areas for improvement. Our goal is to establish an environment where employees can find joy and fulfillment in their work.

(II) As the most recent fiscal year and up to the date of the annual report's printing, any losses incurred due to labor disputes (including violations of the Labor Standards Act identified during labor inspections, includes the date of penalty, document number of the penalty, violated regulations, contents of the violation, and details of the penalty). Information regarding current and potential future estimates of the financial impact and corresponding measures should be provided. If it is not feasible to make a reasonable estimate, an explanation of the reasons for this limitation should be included: None.

VI. Cyber Security Management

(I) The framework for managing cyber security risks, policies governing, specific management plans, and the allocation of resources towards cyber security management.

1. Cyber Security Risk Management Framework:

The Company has established a management department tasked with overseeing information system security management operations. This department executes information security risk assessment mechanisms to enhance the effectiveness and timeliness of information security management, ensuring the security of various aspects such as the information environment, computer hosts, network usage, system access, and mobility, including mobile devices.

2. Cyber Security Policy:

- (1) System Security Standards: Establish the company's information security management system aims to standardize the operational behavior of personnel.
- (2) Technology Application: Implementing information security management measures by establishing information security management equipment.
- (3) Personnel Training: Conduct information security training to enhance the information security awareness of all employees.

3. Specific management plan and resources invested in cyber security management:

- (1) Commission professional computer information vendors for maintenance services.
- (2) Network and computer system security management.
- (3) Access control, development, and maintenance of system security management.
- (4) Information Asset Security Management.
- (5) Set up network firewalls, install antivirus software, and set folder access permissions.
- (6) Performing regular monthly maintenance and virus scans on the company's computer equipment, network devices, and servers.

(II) Please list any losses, potential impacts, and response measures resulting from significant cyber security incidents that occurred in the most recent year up to the date of the annual report's publication. If it is not possible to reasonably estimate these, please explain why. As for 2023 and up to the publication date of the annual report, the Company did not experience any significant cyber security incidents, nor did it incur related losses or impacts.

VII. Important Contracts

As of the date of the annual report publication, the effective and expiring supply contracts,

technical cooperation contracts, engineering contracts, long-term borrowing contracts, and other important contracts that can affect shareholder equity for the recent year should be included. This includes information about the parties involved, the main content, restrictive clauses, and the start and end dates of the contracts.

Contract Nature	Party	Contract Period	Major Contents	Restrictions
Procurement of Services Contract	Economic Development Bureau, Kaohsiung City Government	January 1, 2024 - December 31, 2024	"Contracted Operation and Maintenance Work for the Benzhou Wastewater Treatment Plant in Gangshan, Kaohsiung City"	
Medium and Long-term Loans	Chang Hwa Bank	April 23, 2020 - April 23, 2035	Line of credit: \$151,000 thousand, with principal and interest amortized monthly.	Land-secured collateral
Medium and Long-term Loans	Chang Hwa Bank	April 23, 2020 - April 23, 2027	Line of credit: \$60,000 thousand, with principal and interest amortized monthly	Property-secured collateral
Medium and Long-term Loans	Chang Hwa Bank	April 23, 2020 - April 23, 2035	Line of credit: \$95,000 thousand, with principal and interest amortized monthly.	Property-secured collateral
Medium and Long-term Loans	Chang Hwa Bank	March 15, 2019 - March 15, 2029	Line of credit: \$75,760 thousand, amortizing principal and interest monthly.	Machinery secured collateral
Medium and Long-term Loans	Taiwan Business Bank	June 30, 2014 - June 30, 2026	Line of credit: \$92,400 thousand, with principal and interest repaid monthly	Land-secured collateral

Medium-term Loans	Chang Hwa Bank	September 12, 2023 - September 12, 2028	Line of credit: \$20,000 thousand, with principal and interest repaid monthly	Credit Guarantee Funds
Medium-term Loans	Chang Hwa Bank	September 21, 2023 - September 21, 2028	Line of credit: \$20,000 thousand, with principal and interest repaid monthly	Credit Guarantee Funds

VI. Financial Information

I. Condensed balance sheets and statements of comprehensive income for the past 5 fiscal years

(I) Consolidated condensed balance sheets and statements of comprehensive income

Condensed Balance Sheet - International Financial Reporting Standards

Unit: NTD 1,000

Items	Year	Financial Summary for The Last Five Years (Note 1)					As of the end of the fiscal year March 31, 2024 Financial Summary
		2019	2020	2021	2022	2023	
Current assets		320,752	288,237	393,200	361,327	361,849	Not applicable (Note 2)
Property, Plant, and Equipment		824,624	891,980	922,172	901,821	880,480	
Intangible assets		629	337	61	0	0	
Other assets		167,476	63,664	28,133	34,887	46,952	
Total assets		1,313,481	1,244,218	1,343,566	1,298,035	1,289,281	
Current liabilities	Before Distribution	532,097	192,262	296,169	268,868	288,460	
	After Distribution	643,257	279,801	418,723	385,586	405,178	
Non-current liabilities		148,291	426,646	356,161	312,708	264,842	
Total liabilities	Before Distribution	680,388	618,908	652,330	581,576	553,302	
	After Distribution	791,548	706,447	774,884	698,294	670,020	
Equity attributable to shareholders of the parent		603,657	604,094	675,235	703,988	725,895	
Capital stock	Before Distribution	277,900	291,795	291,795	291,795	291,795	
	After Distribution	291,795	291,795	291,795	291,795	291,795	
Capital surplus		146,721	146,721	146,721	146,721	146,721	
Retained earnings	Before Distribution	179,036	165,578	236,719	265,472	287,379	
	After Distribution	53,981	78,039	114,165	148,754	170,661	
Other equity interest		-	-	-	-	-	
Treasury Stock		-	-	-	-	-	
Non-controlling interests		29,436	21,216	16,001	12,471	10,084	
Equity	Before Distribution	633,093	625,310	691,236	716,459	735,979	
	After Distribution	521,933	537,771	568,682	599,741	619,261	

Note1 : The financial data for each of the above years has been audited and certified by the auditor.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Condensed statements of comprehensive income - International Financial Reporting Standards
 Unit: NTD 1,000

Items	Year	Financial Summary for The Last Five Years (Note 1)					Financial data as of March 31, 2024 for the fiscal year.
		2019	2020	2021	2022	2023	
Operating Revenue		495,819	490,781	600,094	672,972	609,242	
Gross Profit		257,850	246,380	334,937	302,091	294,632	
Operating Income		174,891	142,959	209,656	181,638	173,266	
Non-operating income and expenses		(2,907)	(11,186)	(12,418)	(7,512)	(8,577)	
Income Before Tax		171,984	131,773	197,238	174,126	164,689	
Profit from continuing operations		137,507	108,295	153,465	147,777	136,238	
Loss from discontinued operations		-	-	-	-	-	
Current net profit (loss)		137,507	108,295	153,465	147,777	136,238	
Other comprehensive income (Net Income)		-	(431)	-	-	-	Not applicable (Note 2)
Total comprehensive income		137,507	107,864	153,465	147,777	136,238	
Net profit attributable to owners of parent		141,222	112,480	158,680	151,762	138,846	
Net profit attributable to non-controlling interest		(3,715)	(4,185)	(5,215)	(3,985)	(2,608)	
Comprehensive income attributable to owners of parent		141,222	112,049	158,680	151,762	138,846	
Comprehensive income attributable to Non-controlling interests		(3,715)	(4,185)	(5,215)	(3,985)	(2,608)	
Earnings per Share		4.84	3.85	5.44	5.20	4.76	

Note1 : The above financial data has been audited or reviewed by the accountant.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

(II) Individual consolidated condensed balance sheets and statements of comprehensive income - Adoption of International Financial Reporting Standards

Individual consolidated condensed balance sheets -
International Financial Reporting Standards

Unit: NTD 1,000

Items	Year	Financial Summary for The Last Five Years (Note 1)					Financial data as of March 31, 2024 for the fiscal year.
		2019	2020	2021	2022	2023	
Current assets		332,901	195,123	289,562	262,056	276,258	Not applicable (Note 2)
Property, Plant, and Equipment		303,276	287,202	292,187	289,498	269,992	
Intangible assets		629	337	61	0	0	
Other assets		222,406	218,882	206,454	258,666	292,274	
Total assets		859,212	701,544	788,264	810,220	838,524	
Current liabilities	Before Distribution	197,638	72,659	113,029	106,232	112,629	
	After Distribution	308,798	160,198	235,583	222,950	229,347	
Non-current liabilities		57,917	24,791	-	-	-	
Total liabilities	Before Distribution	255,555	97,450	113,029	106,232	112,629	
	After Distribution	366,715	184,989	235,583	222,950	229,347	
Equity attributable to shareholders of the parent		-	-	-	-	-	
Capital stock	Before Distribution	277,900	291,795	291,795	291,795	291,795	
	After Distribution	291,795	291,795	291,795	291,795	291,795	
Capital surplus		146,721	146,721	146,721	146,721	146,721	
Retained earnings	Before Distribution	179,036	165,578	236,719	265,472	287,379	
	After Distribution	53,981	78,039	114,165	148,754	170,661	
Other equity interest		-	-	-	-	-	
Equity	Before Distribution	603,657	604,094	675,235	703,988	725,895	
	After Distribution	492,497	516,555	552,681	587,270	609,177	
Total Amount							

Note1 : The financial data for each of the above years has been audited and certified by the auditor.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Individual condensed statements of comprehensive income -
International Financial Reporting Standards

Unit: NTD 1,000

Items	Year	Financial Summary for The Last Five Years (Note 1)					Financial data as of March 31, 2024 for the fiscal year.
		2019	2020	2021	2022	2023	
Operating Revenue		413,852	404,595	516,751	578,905	519,077	Not applicable (Note 2)
Gross Profit		184,734	176,167	250,299	195,153	203,149	
Operating Income		147,380	124,223	189,076	137,760	148,354	
Non-operating income and expenses		23,120	9,199	10,892	33,570	15,989	
Income Before Tax		170,500	133,422	199,968	171,330	164,343	
Continuing operations		141,222	112,480	158,680	151,762	138,846	
Current net profit							
Loss from discontinued operations		-	-	-	-	-	
Current net profit (loss)		141,222	112,480	158,680	151,762	138,846	
Other comprehensive income (Net Income)		-	(431)	-	-	-	
Total comprehensive income		141,222	112,049	158,680	151,762	138,846	
Net profit attributable to owners of parent		-	-	-	-	-	
Net profit attributable to non-controlling interest		-	-	-	-	-	
Comprehensive income attributable to owners of parent		-	-	-	-	-	
Comprehensive income attributable to Non-controlling interests		-	-	-	-	-	
Earnings per Share		4.84	3.85	5.44	5.20	4.76	

Note1 : The above financial data has been audited by the accountant.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

(III) Names of Certified Accountants and Audit Opinions in the Last Five Years

Year	Accounting Firm Name	Certified Public Accountant	Audit Opinion
2019	Ernst & Young Taiwan	Cheng-Chu Chen, Fang-Wen Lee	Unqualified Opinion
2020	Ernst & Young Taiwan	Cheng-Chu Chen, Fang-Wen Lee	Unqualified Opinion
2021	Ernst & Young Taiwan	Fang-Wen Lee, Cheng-Chu Chen	Unqualified Opinion
2022	Ernst & Young Taiwan	Fang-Wen Lee, Kuo-Sen Hung	Unqualified Opinion
2023	Ernst & Young Taiwan	Fang-Wen Lee, Kuo-Sen Hung	Unqualified Opinion

II. Five-Year Financial Analysis

(I) Adopting International Financial Reporting Standards - Consolidated

Item (Note 3)	Year	Financial Analysis for the Last Five Years (Note 1)					As of March 31, 2024
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt Ratio	51.80	49.74	48.55	44.80	42.91	Not applicable (Note 2)
	Ratio of long-term capital to property, plant, and equipment	94.75	117.93	113.57	114.12	113.66	
Solvency %	Current ratio	60.28	149.91	132.76	134.38	125.44	
	Quick ratio	55.75	137.40	123.40	124.49	116.50	
	Interest earned ratio	2,356.11	1,991.11	2,518.31	2,039.25	1,685.83	
Operating performance	Accounts receivable turnover (times)	5.39	5.82	6.02	5.67	5.12	
	Average collection period	68	63	61	65	72	
	Inventory turnover (times)	58.11	63.94	73.64	70.22	69.65	
	Accounts payable turnover (times)	5.70	6.93	8.23	9.22	8.42	
	Average days in sales	7	6	5	6	6	
	Property, plant, and equipment turnover (times)	0.60	0.57	0.66	0.73	0.68	
	Total assets turnover (times)	0.38	0.38	0.46	0.50	0.47	
Profitability	Return on total assets (%)	11.27	8.90	12.36	11.73	11.17	Not applicable (Note 2)
	Return on stockholders' equity (%)	23.10	17.21	23.31	20.99	18.75	
	Pre-tax income to paid-in capital (%)	61.88	45.15	67.59	59.67	56.43	
	Profit ratio (%)	27.73	22.06	25.57	21.95	22.36	
	Earnings per share (\$)	4.84	3.85	5.44	5.20	4.76	
Cash flow	Cash flow ratio (%)	31.25	69.45	70.97	69.23	69.35	
	Cash flow adequacy ratio (%)	79.65	81.42	91.05	112.34	131.63	
	Cash reinvestment ratio (%)	11.31	1.88	9.98	5.20	6.78	
Leverage	Operating leverage	1.37	1.53	1.42	1.53	1.53	
	Financial leverage	1.04	1.05	1.04	1.05	1.06	

Please analysis the reasons of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%).

Cash Reinvestment Ratio (%): The main reason is the higher net cash inflow from operating activities during this period.

- * If the company has prepared individual financial statements, it should also create a ratio analysis for the company's individual financial statements.
- * For financial data with less than five years under the International Financial Reporting Standards, a separate table should be prepared to present financial information using our country's Enterprise Accounting Standard.

Note1 : The financial data for each of the above years has been audited and certified by the auditor.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Note3 : The calculation formula is as follows.

(II) Adopting International Financial Reporting Standards - Individual

Item (Note 3)	Year	Financial Analysis for the Recent Five Years (Note 1)					As of March 31, 2024
		2019	2020	2021	2022	2023	
Financial Structure (%)	Debt Ratio	29.74	13.89	14.33	13.11	13.43	Not applicable (Note 2)
	Ratio of long-term capital to property, plant, and equipment	218.14	218.96	231.09	243.17	268.85	
Solvency %	Current ratio	168.43	268.54	256.18	246.68	245.28	Not applicable (Note 2)
	Quick ratio	167.27	263.90	252.64	243.40	241.36	
	Interest earned ratio	4,259.55	9,968.49	73,348.35	2,855,600.00	530,238.70	
Operating performance	Accounts receivable turnover (times)	5.88	6.06	6.35	5.95	5.23	Not applicable (Note 2)
	Average collection period	63	61	58	62	70	
	Inventory turnover (times)	169.65	241.97	166.37	172.86	173.87	
	Accounts payable turnover (times)	10.40	7.46	9.53	12.03	10.87	
	Average days in sales	3	2	3	3	3	
	Property, plant, and equipment turnover (times)	1.33	1.37	1.78	1.99	1.85	
	Total assets turnover (times)	0.49	0.51	0.69	0.72	0.62	
Profitability	Return on total assets (%)	17.39	14.55	21.33	18.98	16.84	Not applicable (Note 2)
	Return on stockholders' equity (%)	24.85	18.62	24.80	22.00	19.42	
	Pre-Tax Income Capitalization Ratio (%)	61.35	45.72	68.53	58.71	56.32	
	Profit ratio (%)	34.12	27.80	30.70	26.21	26.74	
	Earnings per share (\$)	4.84	3.85	5.44	5.20	4.76	
Cash flow	Cash flow ratio (%)	90.65	153.18	169.10	122.45	138.77	Not applicable (Note 2)
	Cash flow adequacy ratio (%)	167.60	178.27	166.75	139.32	135.72	
	Cash reinvestment ratio (%)	14.72	0.01	13.04	0.91	4.56	
Leverage	Operating leverage	1.28	1.39	1.30	1.48	1.39	Not applicable (Note 2)
	Financial leverage	1.02	1.01	1.00	1.00	1.00	

Please analysis the reasons of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

Times Interest Earned: The primary reason is the increase in interest expenditure during this period compared to the previous one.

Cash Reinvestment Ratio (%): Mainly attributable to the increase in cash inflow from operating activities during this period compared to the previous period.

* If the company has prepared individual financial statements, it should also create a ratio analysis for the company's individual financial statements.

Note: The above financial data has been audited by the accountant.

Note1 : The financial data for each of the above years has been audited and certified by the auditor.

Note2 : The data audited (reviewed) by the accountant is up to 2023, therefore it is not listed.

Note3 : The calculation formula should be listed as follows at the end of this table in the annual report:

1. Financial Structure

- (1) Debt Ratio = Total liabilities / Total assets.
- (2) Ratio of long-term capital to property, plant, and equipment = (Total equity + Non-current liabilities) / Net amount of Property, plant, and equipment.

2. Solvency

- (1) Current ratio = Current assets / Current liabilities.
- (2) Quick Ratio = (Current assets - Inventory - Prepaid expenses) / Current liabilities.
- (3) Times Interest Earned = EBIT before income tax and interest expenses / current interest expenses.

3. Operating performance

- (1) Accounts Receivable (including accounts receivable and bills receivable due to operations) Turnover Ratio = Net sales / Average balance of accounts receivables (including accounts receivable and bills receivable due to operations) for each period.
- (2) Average collection period = 365 / Accounts Receivable Turnover Ratio.
- (3) Inventory Turnover = Cost of Goods Sold / Average Inventory Amount.
- (4) Accounts Payables (including accounts payable and bills payable due to operations) Turnover Ratio = Cost of Goods Sold / Average balance of accounts payables (including accounts payable and bills payable due to operations) for each period.
- (5) Average days in sales = 365 / Inventory turnover.
- (6) Property, plant, and equipment turnover ratio = Net Sales / Average net amount of Property, plant, and equipment.
- (7) Total Assets Turnover = Net Sales / Average Total Assets.

4. Profitability

- (1) Return on Assets = [After-tax loss/profit + Interest expenses x (1 - tax rate)] / Average Total Assets.
- (2) Return on Equity = After-tax profit / Average Total Equity.
- (3) Net Profit Margin = Net profit after income tax / Net amount of Sales.
- (4) Earnings Per Share = (Profit or Loss attributable to Owners of the partent - Preferred Stock Dividends) / Weighted Average Number of Shares Outstanding.
(Note 4)

5. Cash flow

- (1) Cash flow ratio = Cash flows from operating activities / Current liabilities.
- (2) Net cash flow adequacy ratio = Cash flows from operating activities in the last five years / (Capital expenditure + increase in inventories + cash dividends) in the

last five years.

(3) Cash reinvestment ratio = (Cash flow from operating activities - cash dividends) / (Gross amount of property, plant, and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage:

(1) Operating leverage = (Net Operating Revenue - Variable operating costs and expenses) / Operating Profit (Note 6).

(2) Financial leverage = Operating Profit / (Operating Profit - Interest expenses).

Note4 : The formula for calculating the above-mentioned Earnings Per Share should pay special attention to the following items when measuring:

1. The calculation should be based on the weighted average number of ordinary shares outstanding, rather than the number of shares issued at the end of the year.
2. For transactions involving cash capital increases or treasury stock, the circulation period should be considered when calculating the weighted average number of shares.
3. For any capital increase resulting from retained earnings or from capital surplus, when calculating earnings per share for previous years and interim periods, it should be retrospectively adjusted based on the proportion of the capital increase, without considering the issuance period of such increase in capital.
4. If the preferred shares are non-convertible cumulative preferred shares, the dividends for the current year (regardless of whether distributed or not) should be deducted from the net profit after tax, or added to the net loss after tax. If the preferred shares are non-cumulative in nature, the dividends of the preferred shares should be deducted from the net profit after tax in a profitable situation; if there is a loss, no adjustment is required.

Note5 : The following matters should be particularly noted when measuring cash flow analysis:

1. The net cash flow from operating activities refers to the net cash inflow from operating activities in the cash flow statement.
2. Capital expenditure refers to the cash outflow from capital investment each year.
3. The increase in inventory is only recognized when the ending balance exceeds the beginning balance. If inventory decreases at the end of the year, it is recorded as zero.
4. Cash dividends comprise dividends on both ordinary shares and preferred shares.
5. The gross amount of property, plant, and equipment refers to the total amount of property, plant, and equipment before deducting accumulated depreciation.

Note6 : The issuer should classify various operating costs and operating expenses into fixed and variable categories based on their nature. In cases where estimates or subjective judgments are necessary, it is important to ensure their reasonableness and uphold consistency.

III. Audit Committee's Report in the Most Recent Year

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2023 Business Report, Financial Statements, and proposal for distribution of earnings. Among these, the Financial Statements have been audited by Ernst & Young Taiwan, and has issued an audit report. The above Business Report, Financial Statements, and proposal for distribution of earnings have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. According to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act, we hereby submit this report.

Ping Ho Environmental Technology Co., Ltd.
Chairman of the Audit Committee: Chi-Shan Hung

March 12, 2024

IV Financial Statements Certified by a CPA in the Most Recent Year

Statement

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

Hereby declare

Company: Ping Ho Environmental Technology
Co., Ltd.

Chairman: Ming-Yang Wu

March 12, 2024

Independent Auditors' Report

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition

The Group primarily derives its operating income from revenue generated by the treatment of wastewater. The recognition of revenue, in terms of amount and timing, is influenced by the existence

and integrity of transactions with the numerous clients entrusted with wastewater processing. Therefore, we identified the recognition of revenues as a key audit matter.

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

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

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

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

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

Auditors' responsibility for the audit of the consolidated financial statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that can sufficiently and appropriately form the basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal controls related to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
3. Evaluate the appropriateness of the accounting policies used and the reasonableness of their accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that a material uncertainty 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 attached notes) and whether the consolidated financial statements represent the underlying transactions and events in a fair manner.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Others

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

Ernst & Young Taiwan

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

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

Auditor: Fang-Wen Lee
Kuo-Sen Hung

March 12, 2024

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

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

	ASSETS		December 31, 2023		December 31, 2022			LIABILITIES AND EQUITY		December 31, 2023		December 31, 2022		
Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%	Code	Accounting Items	Notes	AMOUNT	%	AMOUNT	%	
	Current assets							Current liabilities						
1100	Cash and cash equivalents	(4)/(6).1	\$156,888	12	\$109,131	9	2100	Short-term borrowings	(6).9	\$110,000	9	\$97,000	7	
1136	Current financial assets at amortized cost	(4)/(6).2	60,000	5	100,000	8	2150	Bills payable		21,093	2	26,678	2	
1150	Bills receivable, net	(4)/(6).3	27,517	2	27,411	2	2170	Accounts payable		9,283	0	17,590	1	
1170	Accounts receivable, net	(4)/(6).4	86,133	7	93,473	7	2200	Other payables		76,928	6	62,014	5	
1180	Accounts receivable - related parties	(4)/(6).4/(7)	1,215	0	289	0	2220	Other payables - related parties	(7)	3,019	0	8,347	1	
1200	Other receivables	(4)	4,222	0	4,339	0	2230	Current tax liabilities	(4)/(6).18	18,392	1	9,337	1	
1210	Other receivables - related parties	(7)	84	0	84	0	2322	Long-term borrowings - current portion	(6).10	48,679	4	47,300	4	
1220	Current tax assets	(4)/(6).18	—	—	1	0	2399	Other current liabilities		1,066	0	602	0	
130x	Inventory	(4)/(6).5	2,849	0	5,127	0	21xx	Total current liabilities		288,460	22	268,868	21	
1410	Prepayments	(7)	22,941	2	21,472	2								
11xx	Total current assets		<u>361,849</u>	<u>28</u>	<u>361,327</u>	<u>28</u>		Non-current liabilities						
								2540	Long-term borrowings	(6).10	264,842	21	312,708	24
	Non-current assets							25xx	Total non-current liabilities		264,842	21	312,708	24
1600	Property, plant, and equipment	(4)/(6).6/(7)/(8)	880,480	68	901,821	70	2xxx	Total liabilities		553,302	43	581,576	45	
1840	Deferred tax assets	(4)/(6).18	24,607	2	18,435	1								
1990	Other non-current assets	(6).8/(7)	<u>22,345</u>	<u>2</u>	<u>16,452</u>	<u>1</u>		Equity attributable to owners of parent	(6).12					
15xx	Total non-current assets		<u>927,432</u>	<u>72</u>	<u>936,708</u>	<u>72</u>		3100	Share Capital					
								3110	Common stock		291,795	23	291,795	23
								3200	Capital surplus		146,721	11	146,721	11
								3300	Retained earnings					
								3310	Legal reserve		83,711	6	68,535	5
								3350	Undistributed earnings		203,668	16	196,937	15
									Total retained earnings		287,379	22	265,472	20
											725,895	56	703,988	54
									Equity attributable to owners of parent					
								36xx	Non-controlling interests	(4)/(6).12	10,084	1	12,471	1
								3xxx	Total equity		735,979	57	716,459	55
1xxx	Total assets		<u>\$1,289,281</u>	<u>100</u>	<u>\$1,298,035</u>	<u>100</u>		Total liabilities and equity		<u>\$1,289,281</u>	<u>100</u>	<u>\$1,298,035</u>	<u>100</u>	

(Refer to the Notes to the Consolidated Financial Statements)

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

Expressed in thousands of New Taiwan dollars

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

(Refer to the Notes to the Consolidated Financial Statements)

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

Expressed in thousands of New Taiwan dollars

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

(Refer to the Notes to the Consolidated Financial Statements)

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

Expressed in thousands of New Taiwan dollars

Code	Item	2023	2022	Code		2023	2022
		AMOUNT	AMOUNT			AMOUNT	AMOUNT
AAAA	Cash flows from operating activities			BBBB	Cash flows from investing activities		
A10000	Profit before tax	\$164,689	\$174,126	B00040	Acquisition of financial assets at amortized cost	(100,000)	(100,000)
A20000	Adjustments:			B00050	Proceeds from disposal of financial assets at amortized cost	140,000	—
A20010	Profit and loss items			B02700	Acquisition of property, plant and equipment	(20,119)	(19,565)
A20100	Depreciation	47,335	45,189	B02800	Loses (Gains) disposal of property, plant and equipment	95	1,350
A20200	Amortization	—	61	B06600	Decrease in other financial assets	—	1,000
A20900	Interest expenses	10,385	8,979	B06700	Increase in other non-current assets	(11,768)	(7,472)
A21200	Interest income	(1,574)	(579)	BBBB	Net cash inflow (outflow) from investing activities	8,208	(124,687)
A22500	Gain (Loss) on disposal of property, plant and equipment	(95)	59				
A29900	Others	148	133				
A30000	Changes in operating assets/liabilities:			CCCC	Cash flows from financing activities		
A31130	Increase in bills Receivable	(106)	(2,058)	C00100	Increase in short-term loans	148,000	177,000
A31150	Decrease (Increase) in accounts receivable	7,340	(4,312)	C00200	Decrease in short-term loans	(135,000)	(18,000)
A31160	Increase in accounts receivable - related parties	(926)	(276)	C01600	Proceeds from long-term borrowings	6,000	—
A31180	Decrease in other receivables	163	2,073	C01700	Repayments of long-term debt	(52,487)	(42,873)
A31190	Increase in other receivables - related parties	—	(42)	C02500	Decrease in financial liabilities at amortized cost	—	(365)
A31200	Adjustments for decrease (Increase) in inventories	2,130	(601)	C04500	Cash dividends paid	(116,718)	(122,554)
A31230	Decrease (Increase) in other prepayments	(1,469)	1,590	C05600	Interest paid	(10,304)	(8,928)
A31240	Decrease in other current assets	—	98	CCCC	Net cash outflow from financing activities	(160,509)	(195,720)
A32130	Increase (Decrease) in bills payable	(5,585)	4,760				
A32150	Increase (Decrease) in accounts payable	(8,307)	3,352				
A32180	Increase in other payables	14,833	239				
A32190	Increase (Decrease) in other payables to related parties	(5,328)	5,436				
A32230	Adjustments for increase (decrease) in other current liabilities	464	(76)				
A33000	Cash inflow from operations	224,097	238,151	EEEE	Net (decrease) increase in cash and cash equivalents	47,757	(134,268)
A33100	Interest received	1,528	579	E00100	Cash and cash equivalents at beginning of period	109,131	243,399
A33500	Income tax paid	(25,567)	(52,591)	E00200	Cash and cash equivalents at end of period	\$156,888	\$109,131
AAAA	Net cash inflow from operating activities	200,058	186,139				

(Refer to the Notes to the Consolidated Financial Statements)

I. History and organization

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

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

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

III. Application of New Standards, amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

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

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

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

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

IV. Summary of Significant Accounting Policies

1. Compliance statement

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

2. Basis of Preparation

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

3. Consolidation Overview

Basis of Consolidated Financial Statement Preparation

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

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

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

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

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

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

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

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

If the Company loses control over subsidiary, then

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

The entities preparing the consolidated financial statements are as follows:

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

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

4. Classification of current and non-current items

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

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

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

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

5. Cash and cash equivalents

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

investments with a term of three months or less.

6. Financial Instruments

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

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

(1) Recognition and Measurement of Financial Assets

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

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

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

Financial assets at amortized cost

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

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

(2) Impairment loss on financial assets

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

The Group measures expected credit loss in the following ways:

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

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

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

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

(3) Derecognition of Financial Assets

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

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

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

(4) Financial Liabilities and Equity Instruments

Classification of Liabilities or Equity

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

Equity instruments

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

Financial Liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

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

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

Financial liabilities at amortized cost

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

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

Derecognition of Financial Liabilities

When the obligation of financial liabilities is discharged, cancelled, or expired, the financial liabilities are derecognized.

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

(5) Financial Assets and Liabilities Offsetting

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

7. Fair Value Measurement

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

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

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

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

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

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

8. Inventory

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

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

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

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

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

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

9. Investments adopted equity method

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

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

When changes in equity of associate or joint venture are not due to profit or loss and other

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

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

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

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

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

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

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

10. Property, plant, and equipment

Property, plant and equipment are recognized at acquisition cost, less accumulated depreciation and accumulated impairment. The aforementioned cost includes the cost of dismantling, removing and restoring the site of the property, plant and equipment, and the necessary interest expense generated by the under construction. Each part of an item of

equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately. When significant components of property, plant and equipment need to be periodically replaced, the Group regards these components as individual assets and recognizes them separately with specific useful life and depreciation methods. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS16 "Property, plant and equipment". Significant overhaul costs meet recognition criteria are considered replacement costs and are recognized as part of the carrying amount of property, plant, and equipment. Other repair and maintenance expenses are recognized in profit or loss.

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

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

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

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

11. Lease

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

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

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

The Group as lessee

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

liabilities are recognized for all leases.

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

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

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

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

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

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

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

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

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

the lease term.

The Group as lessor.

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

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

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

12. Intangible assets

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

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

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

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

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

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

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

13. Non-financial Assets

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

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

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

14. Revenue Recognition

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

Sales of Goods

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

Rendering of services

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

15. Borrowing costs

The borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets are capitalized as part of the cost of those assets. All other borrowing

costs are recognized as expenses during the period in which it occurs. Borrowing costs include interest and other costs associated with raising finance.

16. Post-employment benefits plans

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

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

17. Income Tax

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

Current tax

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

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

Deferred income tax

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

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

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

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

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

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

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

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

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

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

Estimates and assumptions

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

(1) Fair Value of Financial Instruments

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

(2) Income Tax

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

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

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

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

VI. Details of Significant Accounts

1. Cash and cash equivalents

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

2. Current financial assets at amortized cost

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

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

3. Bills receivable

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

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

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

4. Accounts receivable and Accounts receivable - related parties

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

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

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

5. Inventory

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

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

The aforementioned inventory were not pledged as collateral.

6. Property, plant, and equipment

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

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

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

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

7. Intangible assets

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

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

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

8. Other non-current assets

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

9. Short-term borrowings

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

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

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

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

10. Long-term borrowings

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

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

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

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

Refer to Note (8) for the guarantee situation.

11. Post-employment benefits plans

Defined contribution plans

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

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

12. Equity

(1) Ordinary Share

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

(2) Capital surplus

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

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

(3) Earnings Distribution

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

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

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

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

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

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

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

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

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

(4) Non-controlling interests

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

13. Operating revenue

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

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

Breakdown of Revenue

For the year ended December 2023

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

For the year ended December 2022

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

14. Expected Credit Loss

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

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

The receivables of the Group (including bills receivable and accounts receivable) are all measured by the expected credit loss during the period. The evaluation of the provision

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

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

2023.12.31

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

2022.12.31

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

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

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

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

15. Lease

The Group as lessee

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

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

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

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

C. Other information related to leasing activities

Extend leases and terminate leases options

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

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

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

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

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

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

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

17. Non-operating revenues and expenses

(1) Interest income

	For the year ended <u>December 2023</u>	For the year ended <u>December 2022</u>
Interest on bank deposits	<u>\$1,574</u>	<u>\$579</u>

(2) Other income

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

(3) Other gains and losses

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

(4) Finance costs

	For the year ended December 2023	For the year ended December 2022
Interest on bank loans	<u>\$10,385</u>	<u>\$8,979</u>

18. Income Tax

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

(1) Income Tax recognized in profit or loss

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

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

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

(3) Deferred tax assets (liabilities) balance:

2023

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

2022

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

(4) Income Tax Return Verification Status

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

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

19. Earnings Per Share

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

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

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

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

VII. Related Party Transactions

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

Related parties and their relationship

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

Significant transactions between related parties

1. Sales

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

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

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

Related Party Name	2023.12.31	2022.12.31
<u>Other receivables</u>		
Yong Hong Engineering Ltd.	<u>\$84</u>	<u>\$84</u>

Related Party Name	2023.12.31	2022.12.31
<u>Other payables</u>		
Yong Hong Engineering Ltd.	<u>\$3,019</u>	<u>\$8,347</u>

4. Property Transaction Details

Purchase:

2023.1.1~2023.12.31

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

2022.1.1~2022.12.31

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

5. Rental income

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

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

6. Remuneration of key management personnel of the Group.

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

7. Others

- (1) As of December 31, 2023 and 2022, part of the key management personnel have acted as joint guarantors for the borrowings from financial institutions by the Group.
- (2) The Company has signed a contract with Yong Hong Engineering Ltd. for equipment upgrading and related works. The total contract price is NT\$9,762 thousand (including tax). As of December 31, 2023, the work has been completed and NT\$2,747 thousand has been transferred to Property, plant and equipment - Machinery and equipment and Other prepaid expenses. In addition, for the incomplete work valued at NT\$6,878 (including tax), NT\$2,435 thousand has already been paid and categorized under Prepayments for business facilities - Related parties. The contract price yet to be billed is NT\$4,115 thousand.
- (3) The subsidiary of the Group, Ping Ho Materials Technology Co., Ltd., signed a production equipment engineering contract with "Yong Hong Engineering Ltd.", the total contract price is NT\$8,400 thousand (including tax). As of December 31, 2023, it has been fully completed and transferred to Property, plant and equipment - Machinery and equipment.
- (4) The payments to Yong Hong Engineering Ltd. for maintenance and other expenses for 2023 and 2022 were NT\$555 thousand and NT\$409 thousand, respectively, which were recorded under operating expenses and other prepaid expenses.

VIII. Pledged Assets

The Group has the following assets as collaterals:

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

IX. Significant Commitments and Contingent Liabilities

No such matter

X. Significant Loss from Natural Disaster

None for the item.

XI. Significant Subsequent Events

None for the item.

XII. Others**1. Categories of financial instruments****Financial Assets**

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

Financial Liabilities

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

2. Financial Risk Management Objectives and Policies

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

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

3. Market risk

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

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

(1) Interest rate risk

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

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

(2) Equity price risk

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

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

January 1 to December 31, 2023:

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

January 1 to December 31, 2022:

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

4. Credit risk management

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

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

insurance, etc.) at appropriate times to reduce the credit risk of specific transaction counterparts.

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

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

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

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

5. Liquidity Risk Management

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

Non-derivative financial liabilities

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

6. The reconciliation of liabilities from financing activities

The liability adjustment information for the year 2023:

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

The reconciliation information of liabilities for the year 2022:

	Short-term borrowings	Long-term borrowings	Total liabilities from financing activities
2022.1.1	\$118,000	\$402,881	\$520,881
Cash flow	(21,000)	(42,873)	(63,873)
Non-cash changes	—	—	—
2022.12.31	<u><u>\$97,000</u></u>	<u><u>\$360,008</u></u>	<u><u>\$457,008</u></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 receivable, accounts payables, and other current liabilities are reasonable approximations of their fair values, mainly due to the short maturity of these instruments.
- B. The fair value of financial assets and financial liabilities that are traded in an active market and have standard terms and conditions is determined by referring to market quotes (for example, listed stocks, beneficiary certificates, bonds, and futures etc.).
- C. The fair value of investments in debt-class instruments with no active market, bank loans, bonds payable, and other non-current liabilities is determined based on quotes from counterparties or valuation techniques. The valuation techniques are mainly based on discounted cash flow analysis, and assumptions such as interest rates and discount rates mainly refer to relevant information of similar instruments (like curve of reference yield rates from Over The Counter (OTC) market, average quoted rates of commercial paper from Reuters, and credit risk information).

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

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

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

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

8. Fair Value Hierarchy

(1) Definition of Fair Value Level

All assets and liabilities measured or disclosed at fair value are classified within the fair value hierarchy based on the lowest level of inputs that are significant to the entire measurement of their fair value. Inputs for each level are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in an active market available on the measurement date.

Level 2: Assets or liabilities for which there are directly or indirectly observable inputs, excluding those included in Level 1.

Level 3: Unobservable inputs for assets or liabilities.

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

(2) Level information of fair value measurement

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

9. Capital management

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

XIII. Notes to Disclosure Items

1. Related Information of Significant Transactions and Information on Investees

The Information on Significant Transactions from January 1, 2023 to December 31, 2023 are as follows:

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

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

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

XIV. Segment Information

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

	For the year ended <u>December 2023</u>	For the year ended <u>December 2022</u>
C1002	\$75,515	\$92,724
C4001	\$74,526	Note

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

Appendix 1

Endorsement or guarantee provided to others:

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

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

1. Issuer fills in "0".

2. The invested companies are numbered in order starting from "1."

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

1. Companies having a business relationship.

2. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

3. Companies in which the Company directly and indirectly holds more than 50% of the voting shares.

4. The Company can provide endorsements and guarantees among companies where it directly and indirectly holds more than ninety percent of the voting shares, but the Amount should not exceed ten percent of the Company's net value. However, endorsements and guarantees among companies where the Company directly and indirectly holds one hundred percent of the voting shares are not subject to the restriction.

5. Based on the companies mutually guaranteed by the industry according to the contract regulations for the construction project needs.

6. Due to the joint investment relationship, each shareholder endorses/guarantees the company according to their shareholding ratio.

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

The net value is based on the most recent financial statements audited or reviewed by the auditor.

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

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

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

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

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

Appendix 2

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

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

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

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

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

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

Appendix 3

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

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

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

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

- (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

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

indicated in the "Remarks" column.

(2) "The column 'Net Profit or Loss of the Investee' should be filled with the current profit (loss) amount of each investee."
(Note 3) The column "Investment Income (Loss)" only needs to be filled out with the loss and profit amounts of each subsidiary that the company (publicly listed) directly invests in and each investee company valued by the equity method, and the rest can be exempted. When filling out the "Amount of Current Profit or Loss of each Subsidiary Directly Reinvested", it should be confirmed that the amount of current profit or loss of each subsidiary has included the investment profit or loss that should be recognized according to the regulations on its reinvestment.
(Note 4) (Including unrealized profit (loss) among affiliated companies.
(Note 5) (All intra-group transactions are eliminated upon consolidation.

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

Appendix 4

Intercompany Relationships and Significant Intercompany Transactions:

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

(Note 1) The business transaction information between the group should be indicated in the number column, and the number is to be filled in the following manner:

1. Parent company fills in "0".
2. The subsidiaries are numbered in order starting from "1".

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

1. Parent to subsidiary.
2. Subsidiary to subsidiary.

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

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

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

V. Individual Financial Statement Certified by a CPA in the Most Recent Year

Independent Auditors' Report

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

Opinion

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

According to the opinion of our auditor, the aforementioned individual financial statements have been prepared in accordance with the Securities Issuance Company Financial Reporting Standards and are sufficient to fairly present the financial position of the Company as of December 31, 2023 and December 31, 2022, as well as the individual financial performance and individual cash flows for the period from January 1 to December 31, 2023 and January 1 to December 31, 2022.

Basis for Opinion

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

Key Audit Matters

Key audit matters refer to the most significant matters in the audit of the financial statements of Ping Ho Environmental Technology Co., Ltd. for the year of 2023, as determined by our professional judgment as auditors. These matters were addressed during the audit of the overall parent company only financial statements and in the formation of our opinion. We do not express our opinion on these matters separately.

Revenue Recognition

The Company primarily derives its operating income from revenue generated by the treatment of wastewater. The recognition of revenue, in terms of amount and timing, is influenced by the

existence and integrity of transactions with the numerous clients entrusted with wastewater processing. Therefore, we identified the recognition of revenues as a key audit matter.

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

The responsibility of the management and governance for the parent company only financial statements

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

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

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

Account's responsibilities for the audit of individual financial statements

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

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

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

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

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

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

Ernst & Young Taiwan

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

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

Auditor: Fang-Wen Lee
Kuo-Sen Hung

March 12, 2024

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.

INDIVIDUAL BALANCE SHEETS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

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

(Please refer to Individual Financial Statement Notes)

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

Expressed in thousands of New Taiwan dollars

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

(Please refer to Individual Financial Statement Notes)

PING HO ENVIRONMENTAL TECHNOLOGY CO., LTD.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

Expressed in thousands of New Taiwan dollars

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

(Please refer to Individual Financial Statement Notes)

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

Expressed in thousands of New Taiwan dollars

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

(Please refer to Individual Financial Statement Notes)

I. History and organization

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

II. The date of authorization for issuance of the Consolidated Financial Statements and Procedures for Authorization

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

III. Application of New Standards, amendments and Interpretations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) IFRS 17 "Insurance Contracts"

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

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

method for short-term contracts (Premium Allocation Approach).

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

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

The amendment is a remark on the convertibility and lack of convertibility between currencies, how the exchange rate is determined when the currency is not convertible, and additions of extra disclosure rules when the currency lacks convertibility. The amendments are effective from January 1, 2025.

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

IV. Summary of Significant Accounting Policies

1. Compliance statement

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

2. Basis of Preparation

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

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

statements are presented in thousands of New Taiwan Dollars.

3. Classification of current and non-current items

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

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

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

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

4. Cash and cash equivalents

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

5. Financial Instruments

Financial assets and financial liabilities are recognized by the company when they become one of the contractual terms of the financial instrument.

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

- (1) Recognition and Measurement of Financial Assets

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

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

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

Financial assets at amortized cost

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

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

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

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

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

Financial assets at fair value through other comprehensive income

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

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

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

- A. Before derecognizing or reclassifying, the gains or losses, except for impairment gains or losses and foreign exchange gains and losses recognized in profit or loss, are recognized in Other Comprehensive Income.
- B. When derecognizing, the accumulated profit or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustments.
- C. Interest calculated using the effective interest method (multiplied by the total carrying amount of financial assets) or under the following circumstances is recognized in profit or loss:
 - (a) For purchased or originated credit-impaired financial asset, use the credit-impaired effective interest rate multiplied by the amortized cost of the financial asset.
 - (b) For those not falling under the previous category but subsequently experiencing credit impairment, they are valued using the effective interest rate multiplied by the financial asset's amortized cost.

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

Financial assets at fair value through profit or loss

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

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

(2) Impairment loss on financial assets

The company recognizes anticipated credit losses and evaluates impairment losses for debt instruments invested in through other comprehensive income at fair value, as measured financial assets at amortized cost. Investments in debt instruments

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

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

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

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

- A. Measured by the amount of expected credit losses for 12 months: including financial assets that have not significantly increased in credit risk since its initial recognition, or are determined to have low credit risk on the balance sheet date. In addition, it also includes provision for bad debts measured at the amount of expected credit losses over the life of the instrument in the previous reporting period, but which no longer meet the condition of significant increase in credit risk since initial recognition as at the reporting date of the current period balance sheet.
- B. Measurement of the amount of expected credit losses during the term: includes financial assets which credit risk has increased significantly after the original recognition, or is part of purchased or originated credit-impaired financial assets.
- C. For trade receivables or contract assets falling under the scope of International Financial Reporting Standard 15, the company measures impairment losses using the expected amount of credit losses over the asset's expected lifetime.
- D. For lease payments receivable falling under the scope of International Financial Reporting Standard 16, the company measures impairment losses using the expected amount of credit losses over the asset's expected lifetime.

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

(3) Derecognition of Financial Assets

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

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

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

(4) Financial Liabilities and Equity Instruments

Classification of Liabilities or Equity

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

Equity instruments

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

Financial Liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

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

- A. The designation can eliminate or significantly decrease measurement or recognition inconsistency; or
- B. A group of financial liabilities or a group of financial assets and financial

liabilities are managed and performance evaluated on a fair value basis, following written risk management or investment strategies. The information on the investment portfolio supplied to management within the Group is also on a fair value basis.

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

Financial liabilities at amortized cost

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

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

Derecognition of Financial Liabilities

When the obligation of financial liabilities is discharged, cancelled, or expired, the financial liabilities are derecognized.

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

(5) Financial Assets and Liabilities Offsetting

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

6. Fair Value Measurement

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

(1) The major regional markets for the assets or liabilities, or

(2) If there is no major market, the most advantageous market for the asset or liability

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

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

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

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

7. Inventory

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

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

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

Finished goods, commodities, and semi-finished products —

include direct raw materials, labor and fixed manufacturing costs allocated based on normal capacity, but not include borrowing costs.

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

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

8. Investments adopted equity method

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

Investment in subsidiaries

Subsidiaries refer to entities controlled by the company.

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

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

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

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

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

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

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

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

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

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

In accordance with the equity method, investments in associates or joint ventures are recorded on the balance sheet at the initial cost, adjusted by subsequent changes in the net assets of the associate or joint venture, recognized by the company based on its ownership percentage. After the carrying amount and other related long-term equity interests in associate or joint venture have been reduced to zero using the equity method, additional losses and liabilities are recognized within the scope of statutory obligations, implicit obligations, or payments made on behalf of associates. The unrealized gains or losses resulting from transactions between the company and its associates or joint ventures are removed proportionately based on the company's stake in the associates or joint ventures. When changes in the equity of associates or joint ventures occur independently of items affecting profit or loss and other comprehensive income, and do not affect the company's percentage of ownership. The company recognizes all related ownership equity changes proportionately. Therefore, the recognized Capital surplus is reclassified into profit or loss based on the disposal proportion when disposing of associate or joint venture.

Due to the company's non-proportional subscription, when associates or joint ventures issue new shares, it results in a change in the company's investment percentage. Adjustments for such changes are made in "Capital Surplus" and "Investments Accounted for Using Equity Method". When the proportion of investments decreases, the related items previously recognized in Other Comprehensive Income are reclassified to profit or loss or other appropriate accounts according on the reduction ratio. The aforementioned Capital surplus is transferred to profit or loss proportionately when the Associate or joint venture is subsequently disposed of.

The financial statements of associates or joint ventures are prepared for the same reporting period as the company. Adjustments are made as necessary to ensure consistency between their accounting policies and those of the company.

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

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

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

or joint venture is not separately recognized, it is not necessary to apply the provisions of Impairment of Assets under the IAS 36 for the impairment testing of Goodwill.

In the event of losing significant influence over an associate or joint control over a joint venture, the company measures and recognizes the remaining investment portion at fair value. When significant influence or joint control is lost, the difference between the carrying amount of the investment in associate or joint venture and the fair value of any retained investment plus the proceeds from disposition is recognized as a gain or loss. Additionally, if an investment in an associate transforms into an investment in a joint venture, or an investment in a joint venture becomes an investment in an associate, the company maintains the application of the equity method without reassessing the retained interest.

9. Property, plant, and equipment

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

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

Buildings and structures	3 - 50 years
Machinery and equipment	3 - 20 years
Office equipment	5 years
Other equipment	2 - 25 years

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

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

10. Lease

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

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

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

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

The company acts as the lessee

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

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

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

After the commencement date, the company measures amortized cost of lease liabilities by using an effective way to increase the carrying amount of the lease liabilities to reflect interest on the lease liabilities. Payments made for lease liabilities decrease the carrying amount of the lease liabilities.

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

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

Right-of-use assets are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, i.e., the cost model is used to measure right-of-use assets.

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

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

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

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

The company acts as the lessor

On the contract commencement date, the company categorizes each lease as either an operating lease or a finance lease. A lease transfers substantially all the risks and rewards incidental to ownership of an asset, it is classified as a finance lease; if not transferred, it is classified as an operating lease. On the commencement date, the company recognizes the assets held under finance leases on the balance sheet and presents them as receivable lease payments net of lease investments.

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

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

11. Intangible assets

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

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

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

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

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

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

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

12. Non-financial Assets

At the end of each reporting period, the company evaluates whether there are indications of impairment for all assets applicable under International Accounting Standard 36 "Impairment of Assets." In the event of impairment indicators or the need for annual impairment testing on a specific asset, the company conducts tests either on individual assets or on the cash generating unit to which the assets belong. Impairment losses are recognized if the carrying amount of an asset or the asset's cash-generating unit exceeds its recoverable amount as a result of impairment testing. The recoverable amount is the higher of the net fair value or the value-in-use.

The company evaluates at the end of each reporting period whether there are indicators of impairment for all assets in accordance with International Accounting Standard 36, "Impairment of Assets." If such indicators exist, the company estimates the recoverable amount of either the asset or the cash-generating unit to which the asset belongs. If the recoverable amount increases due to changes in the estimated potential of servicing assets, then the impairment is reversed. However, the carrying amount after reversal shall not exceed the carrying amount of the assets, net of depreciations or amortizations, that would have been determined had no impairment loss been recognized.

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

13. Revenue Recognition

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

Sales of goods

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

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

Rendering of services

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

14. Borrowing costs

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

15. Post-Employment Benefits Plan

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

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

16. Income Tax

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

Current tax

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

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

Deferred income tax

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

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

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

Except for the following two, deferred tax assets arising from deductible temporary differences, unused tax losses and unused tax credits are recognized to the extent that it is

probable that future taxable profits will be available against which they can be utilized:

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

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

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

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

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

In the compilation of individual financial statements, the management is required to assess, estimate, and assume as of the end of the reporting period, which will impact the reported figures for revenue, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities. However, the uncertainties related to these significant assumptions and estimates could result in the need for significant adjustments to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions

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

1. Fair Value of Financial Instruments

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

2. Income Tax

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

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

3. Accounts Receivable - estimation of provision for bad debts

The company estimates the loss allowance by using the lifetime expected credit losses method over the duration of the receivables. This involves comparing the present value of anticipated cash flows from contractual (carrying amount) and anticipated receipts (evaluated forward-looking information), with the difference representing the credit loss. However, for short-term receivables with minimal discounting effects, credit losses are evaluated based on the undiscounted difference. If actual cash flows in the future are less than expected, significant provision for bad debts may arise. Refer to Note 6.

VI. Details of Significant Accounts

1. Cash and cash equivalents

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

2. Current financial assets at amortized cost

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

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

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

3. Bills receivable

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

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

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

4. Accounts receivable and Accounts receivable - related parties

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

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

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

5. Inventory

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

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

The aforementioned inventories were not pledged as collateral.

6. Investments adopted equity method

Investee Company	12.31.2023		12.31.2022	
	AMOUNT	Percentage of ownership	AMOUNT	Percentage of ownership
Investment in subsidiaries:				
Ping Ho Materials Technology Co., Ltd.	\$123,609	92.66%	\$88,212	88.08%
Ching Jing Industrial Co., Ltd.	36,715	100.00%	36,497	100.00%
Wan Jing Industrial Co., Ltd.	14,305	100.00%	13,071	100.00%
Feng Jia Industrial Co., Ltd.	102,482	100.00%	114,159	100.00%
Total	\$277,2022		\$251,939	

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

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

7. Property, plant, and equipment

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

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

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

8. Intangible assets

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

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

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

9. Post-employment benefits plans

Defined contribution plans

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

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

10. Equity

(1) Ordinary Share

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

(2) Capital surplus

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

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

(3) Earnings Distribution

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

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

The company, considering its operating environment, growth stage, responding to future capital needs, financial structure, and earnings situation, and aiming for a balanced and stable dividend policy, plans to distribute not less than 10% of distributable earnings as shareholder dividends each year, based on its capital requirement and the dilution effect on earnings per share. The dividends can be distributed either in the form of stock or cash dividends, with cash dividends

accounting for no less than 10% of the total dividends distributed.

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

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

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

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

Refer to Note (6).14 for information related to the basis of employees and directors' remuneration estimates and the recognition of their amounts.

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

11. Operating revenue

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

The revenue-related information for contracts with customers for the years 2023 and 2022 is as follows:

Breakdown of Revenue

For the year ended December 2023			
	Wastewater Treatment Revenue	Others	Total
Rendering of services	<u><u>\$444,551</u></u>	<u><u>\$74,526</u></u>	<u><u>\$519,077</u></u>
Revenue Recognition: at a certain point in time	<u><u>\$444,551</u></u>	<u><u>\$74,526</u></u>	<u><u>\$519,077</u></u>
For the year ended December 2022			
	Wastewater Treatment Revenue	Others	Total
Rendering of services	<u><u>\$539,811</u></u>	<u><u>\$39,094</u></u>	<u><u>\$578,905</u></u>
Revenue Recognition: at a certain point in time	<u><u>\$539,811</u></u>	<u><u>\$39,094</u></u>	<u><u>\$578,905</u></u>

12. Expected Credit Loss

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

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

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

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

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

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

2023.12.31

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

2022.12.31

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

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

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

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

13. Lease

The company acts as the lessee.

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

	For the year ended December 2023	For the year ended December 2022
Short-term leases Expenses	\$163	\$183
Expenses related to the leasing of low-value assets (excluding short-term leasing of low-value assets)	\$95	\$94

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

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

C. Other information related to leasing activities

Extend leases and terminate leases options

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

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

By function By nature	For the year ended December 2023			For the year ended December 2022		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expenses						
Salaries expenses	\$17,283	\$27,719	\$45,002	\$17,494	\$34,005	\$51,499
Labor health insurance premiums	\$2,281	\$2,056	\$4,337	\$2,218	\$1,854	\$4,072

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

Note:

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

In accordance with the company's Articles of Incorporation, the company should accrue employees' compensation and directors' remuneration at the rate that are not lower than 1% and not higher than 3% at profit before tax, respectively. However, if there are accumulated losses, the amount of the indemnity should be reserved in advance. The

aforementioned employee compensation can be executed in the form of stock or cash. It should be approved by the Board of Directors through a resolution with the attendance of over two-thirds of the directors and the agreement of over half of the attending directors. Also, it should be reported at the shareholders' meeting. Refer to the "Market Observation Post System" on the Taiwan Stock Exchange for information on the employee compensations and directors' remuneration approved by the Board of Directors.

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

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

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

15. Non-operating revenues and expenses

(1) Interest income

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

(2) Other income

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

(3) Finance costs

	For the year ended December 2023	For the year ended December 2022
--	--	--

Interest on bank loans	<u><u>\$31</u></u>	<u><u>\$6</u></u>
------------------------	--------------------	-------------------

16. Income Tax

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

(1) Income Tax recognized in profit or loss

	For the year ended December 2023	For the year ended December 2022
Current tax expenses:		
Current Income taxes payable	\$25,468	\$19,568
Prior years adjustment in the year	29	—
Income tax expenses	<u><u>\$25,497</u></u>	<u><u>\$19,568</u></u>

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

	For the year ended December 2023	For the year ended December 2022
Profit before income tax of continuing operations	\$164,343	\$171,330
Income tax calculated at the statutory tax rate	\$32,869	\$34,266
Income tax effect of tax-exempt revenues	(2,729)	(6,275)
Income tax impact of non-deductible expenses for tax reporting	472	937
Additional corporate income tax on undistributed earnings	679	—
Prior years adjustment in the year	29	—
Impact of other income tax adjustments according to tax laws	(5,823)	(9,360)
Total tax expenses recognized in profit and loss	<u><u>\$25,497</u></u>	<u><u>\$19,568</u></u>

(3) Income Tax Return Verification Status

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

17. Earnings Per Share

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

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

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

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

VII. Related Party Transactions

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

Related Party Names and Relationships

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

Significant transactions between related parties

1. Sales

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

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

2. Purchase of goods

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

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

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

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

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

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

4. Property Transaction Details

Purchase:

2023.1.1~2023.12.31

Counterparty	Name of asset	Amount	Basis of transaction price
Yong Hong Engineering Ltd.	Machinery and equipment	\$1,486	Negotiated Price

2022.1.1~2022.12.31

Counterparty	Name of asset	Amount	Basis of transaction price
Ping Ho Materials Technology Co., Ltd.	Other equipment	\$327	Negotiated Price
Yong Hong Engineering Ltd.	Buildings and structures	720	Negotiated Price
Yong Hong Engineering Ltd.	Machinery and equipment	12,596	Negotiated Price
Yong Hong Engineering Ltd.	Other equipment	840	Negotiated Price
Total		\$14,483	

5. Key executive compensation in the company

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

6. Others

- (1) The company has signed a contract with Yong Hong Engineering Ltd. for equipment upgrading and related works. The total contract price is NT\$9,762 thousand (including tax). As of December 31, 2023, the work has been completed and NT\$2,747 thousand has been transferred to Property, plant and equipment - Machinery and equipment and Other prepaid expenses. In addition, for the incomplete work valued at NT\$6,878 (including tax), NT\$2,435 thousand has already been paid and categorized under Prepayments for business facilities - Related parties. The contract price yet to be billed is NT\$4,115 thousand.
- (2) Disbursed Ching Jing Industrial Co., Ltd. for transportation costs \$33,739 thousand and \$41,364 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses - transportation expenses.
- (3) Disbursed Wan Jing Industrial Co., Ltd. for transportation costs \$11,589 thousand and \$9,555 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses - transportation expenses.
- (4) Disbursed Yong Hong Engineering Ltd. for maintenance fees \$4,166 thousand and \$3,222 thousand during the years 2023 and 2022, respectively, which were recorded under manufacturing expenses, administrative expenses, and other prepaid expenses.
- (5) The company garnered service income and endorsements/guarantees income from Ping Ho Materials Technology Co., Ltd., Ching Jing Industrial Co., Ltd., Wan Jing Industrial Co., Ltd., and Feng Jia Industrial Co., Ltd. in 2023 and 2022 for \$864 thousand and \$831 thousand, respectively. These earnings were recorded under other income.

VIII. Pledged Assets

None for the item.

IX. Significant Commitments and Contingent Liabilities

None for the item.

X. Significant Losses from Natural Disasters

None for the item.

XI. Significant Subsequent Events

None for the item.

XII. Others**1. Categories of financial instruments****Financial Assets**

	2023.12.31	2022.12.31
Financial assets at amortized cost:		
Cash and cash equivalents (excluding cash on hand)	\$114,579	\$58,751
Current financial assets at amortized cost	60,000	100,000
Accounts receivables	97,218	99,769
Guarantee deposits paid	12,728	6,304
Total	\$284,525	\$264,824

Financial Liabilities

	2023.12.31	2022.12.31
Financial liabilities at amortized cost:		
Accounts Payables	\$96,498	\$105,082

2. Financial Risk Management Objectives and Policies

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

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

3. Market risk

The market risk of the company refers to the risk of fluctuations in the fair value or cash flows of financial instruments due to changes in market prices. This risk primarily includes interest rate risk and other price risks.

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

(1) Interest rate risk

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

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

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

(2) Equity price risk

The company mitigates price risk associated with equity securities through diversified investments and setting limits on both individual and aggregate equity investments. Details of the investment portfolio in equity securities must be regularly presented to the senior management of the company, and all decisions regarding equity securities investments must undergo review and approval by the board of directors.

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

January 1 to December 31, 2023:

Main Risks	Change range	Profit and Loss Sensitivity	Equity Sensitivity
Interest rate risk	Market Interest Rate +/- Ten Basis Points	-/+ \$175 thousand	—

January 1 to December 31, 2022:

Main Risks	Change range	Profit and Loss Sensitivity	Equity Sensitivity
Interest rate risk	Market Interest Rate +/- Ten Basis Points	-/+ \$159 thousand	—

4. Credit risk management

Credit risk refers to the risk of financial loss due to the counterparty's failure to fulfill the obligations stipulated in the contract. The credit risk of the company arises from its operational activities (primarily accounts receivable and notes) and financial activities (mainly bank deposits and various financial instruments).

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

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

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

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

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

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

5. Liquidity Risk Management

The company maintains financial flexibility through contracts such as cash, cash equivalents, and bank loans. The table below summarizes the maturity schedule of the company's financial liabilities, detailing payment obligations based on the earliest potential repayment date and compiled using their undiscounted cash flows, including contractual interest. The cash flow of interest paid at a floating rate; the undiscounted amount of interest is derived based on the yield curve at the end of the reporting period.

Non-derivative financial liabilities

	Less than one year	Two to three years	Four to five years	More than five years	Total
2023.12.31					
Accounts Payables	\$96,498	\$—	\$—	\$—	\$96,498
2022.12.31					
Accounts Payables	\$105,082	\$—	\$—	\$—	\$105,082

6. The reconciliation of liabilities from financing activities

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

7. Fair Value of Financial Instruments

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

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Below are the methods and assumptions employed by the company to assess or

disclose the fair value of financial assets and liabilities:

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

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

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

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

Please refer to Note (12).8 for information on the fair value hierarchy of the company's financial instruments.

8. Fair Value Hierarchy

(1) Definition of Fair Value Level

All assets and liabilities measured or disclosed at fair value are classified within the fair value hierarchy based on the lowest level of inputs that are significant to the entire measurement of their fair value. Inputs for each level are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in an active market available on the measurement date.

Level 2: Assets or liabilities for which there are directly or indirectly observable inputs, excluding those included in Level 1.

Level 3: Unobservable inputs for assets or liabilities.

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

(2) Level information of fair value measurement

The company doesn't possess assets measured at fair value on a non-recurring basis, nor have assets and liabilities evaluated at fair value on a recurring basis.

9. Capital management

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

XIII. Notes to Disclosure Items

1. Related Information of Significant Transactions and Information on Investees
 - (1) The Information on Significant Transactions from January 1, 2023 to December 31, 2023 are as follows:
 - (2) Financing provided for others: None.
 - (3) Endorsement or guarantee provided to others: Refer to Appendix 1 for details.
 - (4) Marketable securities held at the end of the period: None.
 - (5) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-up capital: None.
 - (6) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-up capital: None.
 - (7) Disposal of property at price in excess of NT\$300 million or 20% of the paid-up capital: None.
 - (8) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-up capital: Refer to Appendix 2.
 - (9) Accounts receivable from related parties amounting to at least NT\$ 100 million or 20% of the paid-up capital: None.
 - (10) For those who have significant influence or control over the investee companies (excluding Mainland China): Refer to Appendix 3.
 - (11) Engaging in derivative transactions: None.
2. DISCLOSURE OF INFORMATION ON INVESTMENT IN MAINLAND CHINA: Not applicable.

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

Appendix 1

Endorsement or guarantee provided to others:

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

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

1. Issuer fills in "0".
2. The invested companies are numbered in order starting from "1."

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

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

Ping Ho Environmental Technology Co., Ltd. Individual Financial Statements Notes (continued)
(All amounts are in thousands of New Taiwan dollars, unless otherwise stated)

6. Due to the joint investment relationship, each shareholder endorses/guarantees the company according to their shareholding ratio.

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

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

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

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

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

Appendix 2

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

Buyer/Seller	Counterparty	Relationship	Transaction Details				Payment Terms and Reason for Abnormal Transaction (Note 1)		Accounts/Bills Receivable or Payable		Remarks (Note 2)
			Purchase or Sale	AMOUNT	% to Total Purchases or Sales	Credit Period	Unit Price	Credit Period	Balance	% to Total Bills/Accounts Receivable or Payable	
Ping Ho Environmental Technology Co., Ltd.	Feng Jia Industrial Co., Ltd.	Subsidiary	Purchase of goods	\$135,391	100.00%	30 days	—	—	\$18,618	77.86%	

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

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

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

Appendix 3

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

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

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

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

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

between each invested company and our (publicly issued) company (such as subsidiaries or grandchild companies) should be indicated in the "Remarks" column.

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

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

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

VI. If the Company or its affiliates have experienced financial difficulties in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report, the annual report shall explain how said difficulties will affect the Company's financial situation: None.

VII. Review of Analysis of Financial Status , Financial Performance, and Risk Management

I. Analysis of Financial Status: The primary causes for significant fluctuations in assets, liabilities, and equity over the last two years and their impacts. Future response plans should be outlined, if the impact is significant.

Analysis of Financial Status

Unit: NTD 1,000

Items	Year	2022	2023	Difference	
				Amount	%
Current assets		361,327	361,849	522	0.14%
Property, Plant, and Equipment		901,821	880,480	(21,341)	(2.37%)
Intangible assets		0	0	0	0.00%
Other assets		34,887	46,952	12,065	34.58%
Total assets		1,298,035	1,289,281	(8,754)	(0.67%)
Current liabilities		268,868	288,460	19,592	7.29%
Non-current liabilities		312,708	264,842	(47,866)	(15.31%)
Total liabilities		581,576	553,302	(28,274)	(4.86%)
Capital stock		291,795	291,795	0	0.00%
Capital surplus		146,721	146,721	0	0.00%
Retained earnings		265,472	287,379	21,907	8.25%
Other equity interest		12,471	10,084	(2,387)	(19.14%)
Total equity		716,459	735,979	19,520	2.72%

I. Explanation of significant changes (for variances exceeding 10,000 thousand and changes exceeding 20% in proportion): The increase in other assets is primarily attributed to the rise in guarantee deposits paid and deferred tax assets compared to the previous period.

II. Future response plans for significant impact: The aforementioned changes have no significant adverse impact on the Company, and the overall performance of the Company has not deviated significantly. Therefore, there is no need to draft a response plan.

II. Financial Performance: The primary reasons for significant changes in Operating Revenue, Operating Income, and Pre-Tax Income over the past two years, along with the expected sales volume,basis, and the potential impact on the company's future financial operations and corresponding plan.

Comparative Analysis of Financial Performance

Unit: NTD 1,000

Items	Year	2022	2023	Increase (Decrease) Amount	Percentage Change (%)
Operating Revenue		672,972	609,242	(63,730)	(9.47%)
Operating Income		181,638	173,266	(8,372)	(4.61%)
Income Before Tax		174,126	164,689	(9,437)	(5.42%)
<p>1. Analysis and explanation for changes exceeding 20% before and after, and with the amount of change reaching NT\$10 million: None.</p> <p>2. Expected sales volume,basis, and the potential impact on the company's future financial operations and corresponding plan:</p> <p>Since the Company did not prepare and announce financial forecasts, the expected sales volume and basis are not applicable. The overall performance of the Company has not shown any significant anomalies. Therefore, there is no need to formulate a response plan.</p> <p>The Company determines its sales volume for the upcoming year based on historical sales performance, anticipation of future market demand changes, and alignment the operational objectives with the Company and its production capacity scale when setting these targets.</p>					

III. Cash flow: Analyzing the recent annual changes in cash flow, outlining a plan to address liquidity deficiencies, and conducting an analysis of cash flow liquidity for the upcoming year:

(I) Liquidity Analysis for the Recent Two Years:

Unit: NTD 1,000

Items	Year	2022	2023	Increase (Decrease) Amount	Increase (Decrease) Ratio (%)
Operating activities		186,139	200,058	13,919	7.48%
Investing activities		(124,687)	8,208	132,895	(106.58%)
Financing activities		(195,720)	(160,509)	35,211	(17.99%)

Analysis of change in proportion:

1. Operating activities: The primary reason for the impact of income tax offset resulting from the capital reduction of the subsidiary, Ping Ho Materials Technology, to offset losses in 2022.
2. Investing activities: This is mainly attributable to the reduction in holdings of financial assets measured at amortized cost in 2023.
3. Financing activities: The main reason for the higher amount of short-term borrowings in 2023 compared to the previous period.

(II) Cash Flow Analysis for the Coming Year:

Unit: NTD 1,000

Cash and Cash Equivalents Beginning of Year (1)	Estimated Net Cash Flow from Operating Activities (2)	Estimated Cash Outflow (3)	Estimated Cash Surplus (Deficit) (1)+(2)-(3)	Estimated Leverage of Cash Deficit	
				Investment Plans	Financing Plans
156,888	175,722	85,139	247,471	0	0
Analysis for estimated leverage of cash deficit and liquidity: Not applicable.					

IV. The effect upon financial operations of any major capital expenditures during the most recent year: None.

V. Investment Policy and Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

1. Shift investment policy in recent year

The company's shift investment policy is primarily established based on the requirements for sustainable management, operational growth, or diversification. The Company complies with the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies" issued by the competent authority. The "Regulations Governing the Acquisition and Disposal of Assets" serve as the basis for the company's shift investment operations, allowing it to manage relevant business and financial conditions effectively. To enhance its supervision and management of shift investment companies, the Company has established supervisory and management procedures for its subsidiaries within its internal control system.

2. The main reasons and improvement plans for profit or loss of investees in the recent fiscal year

December 31, 2023; Unit: NTD 1,000; %

Items Company	Major operating item	Investment Income in 2023	Shareholding Ratio (%)	The main reasons for profit or loss of investees	Improvement Plans	Future other investment plans
Ping Ho Materials Technology Co., Ltd.	Wastewater Treatment	(21,982)	92.66	Due to the pre-mass production stage, continuous depreciation and other fundamental fixed expenses have resulted in losses in the recent fiscal year	It is expected that the expansion of business will lead to improvement after formal operation	None
Ching Jing Industrial Co., Ltd.	Waste Transportation	7,169	100.00	The operation is in good condition	None	None
Wan Jing Industrial Co., Ltd.	Waste Transportation	3,491	100.00	The operation is in good condition	None	None
Feng Jia Industrial Co., Ltd.	Manufacture and Wholesale of Chemical Feedstock	24,968	100.00	The operation is in good condition	None	None

VI. Analysis of Risk Management

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

1. Impact of Interest rate:

Unit: NTD 1,000

Items	2022		2023	
	Amount	Percentage of consolidated net operating revenue	Amount	Percentage of consolidated net operating revenue
Consolidated Interest Expenses	8,979	1.33%	10,385	1.70%

Source: The consolidated Financial Statements certified by a CPA in 2022 and 2023.

The proportion of interest expense to net operating revenue of the Group in 2022 and 2023 was 1.33% and 1.70%, respectively. Since the interest expense amount of the Group is not significant, the impact of interest rate changes on the Group remains limited. The Group continues to monitor developments in the financial market, paying close attention to interest rate changes. Necessary measures are taken to mitigate the impact of interest rate fluctuations on the Group's profits and losses.

2. The impact of exchange rate changes to the company's profits and losses: The Group does not engage in foreign currency transactions, therefore, there is no exchange rate risk.

3. Inflation: The Group is not significantly affected by inflation. When prices of major raw materials fluctuate, the Group promptly engages in discussions with customers regarding price adjustments as per the contract terms and implements necessary measures. Hence, the impact on the Group's profit and loss is limited.

(II) Policies, main reasons for profits or losses, and future response measures for engaging in high-risk, high-leverage investment, financing provided for others, endorsements/guarantees, and derivative commodity trading:

The Group has always prioritized the development of its core business while adhering to the principle of pragmatism in its operations. Its financial policy emphasizes stability and conservatism, avoiding involvement in high-risk, high-leverage investments. When the Company engages in lending funds to others and endorsing guarantees, it follows operational procedures such as the "Operational Procedures for

Loaning of Company Funds", "Operational Procedures for Endorsements and Guarantees", and "Procedure for Acquisition and Disposal of Assets". These procedures have been approved by the Shareholders Meeting and are in compliance with relevant laws and regulations. All information is promptly and accurately announced as required.

The Company does not engage in derivatives trading in principle. However, if the Company decides to engage in derivatives trading in the future, it will first establish evaluation and operational procedures. These procedures will then be submitted to the Audit Committee and the Board of Directors for approval. Subsequently, they will be implemented after receiving approval from the Shareholders Meeting.

(III) Future Research and Development Plans and Expenditure:

1. Future R&D Plan:

Product/Business Type	Future Research and Development Direction
Wastewater Treatment	<ul style="list-style-type: none">A. Enhancing wastewater treatment techniques, including the recycling and reuse of nickel electroplating wastewater and ammonia nitrogen wastewater, etc.B. Developing equipment for the continuous inflow of high-concentration ammonia nitrogen wastewater to recycle ammonium chloride through gas strippingC. Applying the Sequencing Batch Reactor (SBR) for the biological treatment of wastewater to remove organic pollutionD. Implement a reclaimed water reuse system tailored for use in actual factory settings
Sales of Chemicals and Consumables	Developing a heavy metal adsorbent capable of capturing various heavy metals present in wastewater

2. Expected Research and Development Expenditure:

The Company primarily allocates funds to research and development expenses in accordance with legal requirements and industry dynamics. These expenses mainly cover salaries for research and development technical personnel, costs for technical research (industry-academic cooperation), water quality testing fees, experimental materials, and consumables such as laboratory testing after project feasibility completion. Additionally, depreciation of related water quality inspection and analysis equipment is included. Based on historical data, the Company's research and development expenses typically represent around 2-3% of its revenue. However, given the increasing stringency of environmental protection laws, the

Company is prepared to adjust its research and development budget accordingly. It actively collaborates with various academic institutions or research units to strategically assess opportunities for innovative technology cooperation. This includes optimizing wastewater treatment processes, reducing waste, and promoting recycling. These efforts aim to expand the scope of wastewater treatment while simultaneously lowering costs.

(IV) The significant impact of domestic and international policy and legal changes on the company's financial operations and corresponding measures:

The Company conducts its daily operations in accordance with relevant domestic and international laws and regulations. It closely monitors trends in domestic and international policy development and changes in regulations to effectively adapt to market environment changes. There has been a growing stringency in the implementation of environmental regulations and policies both domestically and internationally in recent years. This trend has led to an increase in demand for environmental industry solutions. The Company has consistently monitored the impact of these policies on market development and has proactively allocated human and material resources to capitalize on potential business opportunities. The Company has not experienced any significant adverse effects on its financial affairs due to changes in domestic and foreign policies and laws as of the date of publication of the Prospectus.

(V) The impact of technological changes (including cyber security risks) and industrial changes on the company's financial operations and the corresponding measures:

The Company consistently monitors technological advancements and evolving industry trends to swiftly adapt to industry dynamics and continuously innovate. When necessary, strategic partnerships with relevant research entities are established to foster academia-industry collaborations. Furthermore, to bolster cyber security initiatives, the Company regularly assesses security risks, conducts training sessions, and implements audit mechanisms to ensure the effective execution of security plans. As of the publication date of the annual report, there have been no significant adverse effects on the Company's financial operations resulting from technological changes (including cyber security risks) or industry shifts.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The Company operates in the environmental services sector and has consistently focused on nurturing a positive corporate image since its inception. It adheres to all legal regulations. As of the date of the annual report publication, there have been no

instances of changes in the corporate image that would necessitate crisis management measures for the enterprise.

(VII) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

The Company did not have any merger plans for the recent fiscal year and up to the date of the annual report publication. However, in the event of future merger plans, they will be conducted in accordance with relevant legal regulations and management procedures established by the Company to ensure the effective protection of the Company's interests and shareholders' equity.

(VIII) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans:

The Company has not planned any facility expansion for the recent fiscal year and up to the date of the annual report publication.

(IX) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Sales:

1. Purchase of goods:

The Company primarily specializes in providing industrial wastewater treatment services. Its main raw materials include caustic soda, sulfuric acid, oxidizers, coagulants, heavy sub-powder, and activated carbon. Over the past three years, the Company has enjoyed stable and ample supplies of these materials. Additionally, it has maintained excellent cooperation with all suppliers, ensuring a steady and smooth flow of goods. Therefore, there have been no significant abnormalities in the Company's raw material supply. Overall, the Company has maintained long-term partnerships with its raw material suppliers, characterized by excellent quality and consistent delivery schedules. Since the main purchased items are not considered special materials, in the event of potential supply shortages or delays from existing suppliers, the Company will explore alternative suppliers to mitigate its risk.

2. Sales:

The Company specializes in providing industrial wastewater treatment services, leveraging its technological expertise, quality standards, and exceptional service to maintain stable partnerships with key clients. Its clientele includes prestigious domestic listed companies and foreign firms. Over recent years, revenue from major clients has generally experienced steady growth. However, the sales ratio fluctuates due to varying business development scenarios and is influenced by the operational conditions or strategic adjustments of individual clients, resulting in occasional increases or decreases. In addition to maintaining strong relationships

with our existing clients, the Company will continue to develop new processing technologies to actively attract new clients. We are committed to establishing partnerships with other customers to diversify our sales risks.

(X) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

There have been no significant incidents affecting the Company's operations due to extensive transfers or changes in shares by Directors or major shareholders holding more than ten percent of the Company's shares as of the end of the most recent fiscal year and the date of the annual report's publication.

(XI) Effects of, Risks Relating to and Response to the Changes in Management Rights:

There have been no changes in ownership during the recent fiscal year and up to the date of publication of the annual report.

(XII) Litigation or non-litigation events should specify significant litigation, non-litigation, or administrative disputes that have been determined or are still pending involving the company and its directors, supervisors, general manager, actual responsible person, shareholders with a shareholding of over 10%, and subsidiaries. If the results could have a significant impact on shareholder's equity or security price, the disclosure should include the facts of dispute, the amount involved, the start date of the litigation, the main involved parties, and the progress up to the date of the annual report is printed:

The Company's Directors, General Manager, actual responsible person, major shareholders with a shareholding over 10%, and subsidiary companies, have not been involved in any major litigations, non-litigious, or administrative litigations that have been definitely judged or are still pending in the past two years and up to the date of the annual report publication, the results of which have a significant impact on the Company's financial condition, operations, shareholder equity, or security prices.

(XIII) Other Major Risks and Response: Disclose the Company's Cyber Security Management Measures.

1. Purpose of Preparation

To establish the cyber security inspection procedures of the company, prevent inappropriate information leakage, and ensure the security and integrity of the system and data, this management method is specially formulated for adherence.

2. Operating Procedure

- (1) Security Monitoring System
 - (1) The company should appoint professionals to handle matters related to cyber security prevention and crisis management, aiming to prevent cybercrimes and crises and to maintain information system security.
 - (2) A secure control mechanism for computer network systems should be established to ensure the security of network data transmission, protect network operations, and prevent unauthorized system access, thus preventing the leakage of confidential information.
 - (3) For inter-company computer network systems, it is necessary to particularly strengthen network security management. Antivirus software should be installed, and outward network firewalls should be set up to prevent computer viruses and aggressive malicious software from invading internally, which could cause network system paralysis for the Company.
 - (4) In order to raise employees awareness of cyber security, employees should be educated the concept of correctly using legal software, enhancing their understanding of the threat of computer viruses.
- (2) Division of Labor and Authority
 - (1) The highest level of access to the online reporting system should be carefully assessed by responsible supervisors and entrusted to reliable personnel for management to prevent unauthorized individuals from accessing system information.
 - (2) The highest authority user should set up the accounts and permissions of users according to their respective business scopes and responsibilities, and shall not use them privately. Once a user leaves their original position, their account and permissions should be revoked immediately.
 - (3) User accounts and passwords should avoid easily guessable and decipherable passwords, and passwords should be changed regularly.
- (3) Data Backup and Maintenance Methods
 - (1) Network system administrators are tasked with drafting network security guidelines, configuring and operating network management tools to ensure the security and integrity of both the system and its data.
 - (2) Personal computers and network system servers should have antivirus scanning tools, and scan for computer viruses and update virus codes regularly .

- ③ Important files and data on personal computers and network systems should be backed up regularly on a daily basis to ensure availability in case of need.
- ④ The reported data should be stored on the computer and backed up separately. To facilitate management, data should be classified and stored by date, file, and department categories.

3. Control Focus

- (1) Whether the company have professional personnel responsible for handling matters related to cyber security prevention and crisis management.
- (2) Whether a security control mechanism for computer network systems has been established to ensure the safety of network data transmission and prevent unauthorized system access.
- (3) Whether anti-virus software is installed internally and the network firewall is set up externally in the inter-company computer network system.
- (4) Whether educated employees the concept of using legal software properly.
- (5) Whether the highest level of access to the online reporting system should be carefully assessed by responsible supervisors.
- (6) Whether the company should set up the accounts and permissions of users according to their respective business scopes and responsibilities, and shall not use them privately. Once a user leaves their original position, their account and permissions should be revoked immediately.
- (7) Whether user accounts and passwords should avoid easily guessable and decipherable passwords, and passwords should be changed regularly.
- (8) Whether network system administrators are tasked with drafting network security guidelines, configuring and operating network management tools.
- (9) Whether personal computers and network system servers should have antivirus scanning tools.
- (10) Whether important files and data on personal computers and network systems should be backed up regularly on a daily basis.
- (11) Whether the reported information stored in a computer and backed up separately.

4. Appendix

This procedure shall be implemented after being submitted and approved by the Board of Directors; the same applies to any modifications.

This regulation was established on November 5, 2018.

VII. Other Important Matters: None.

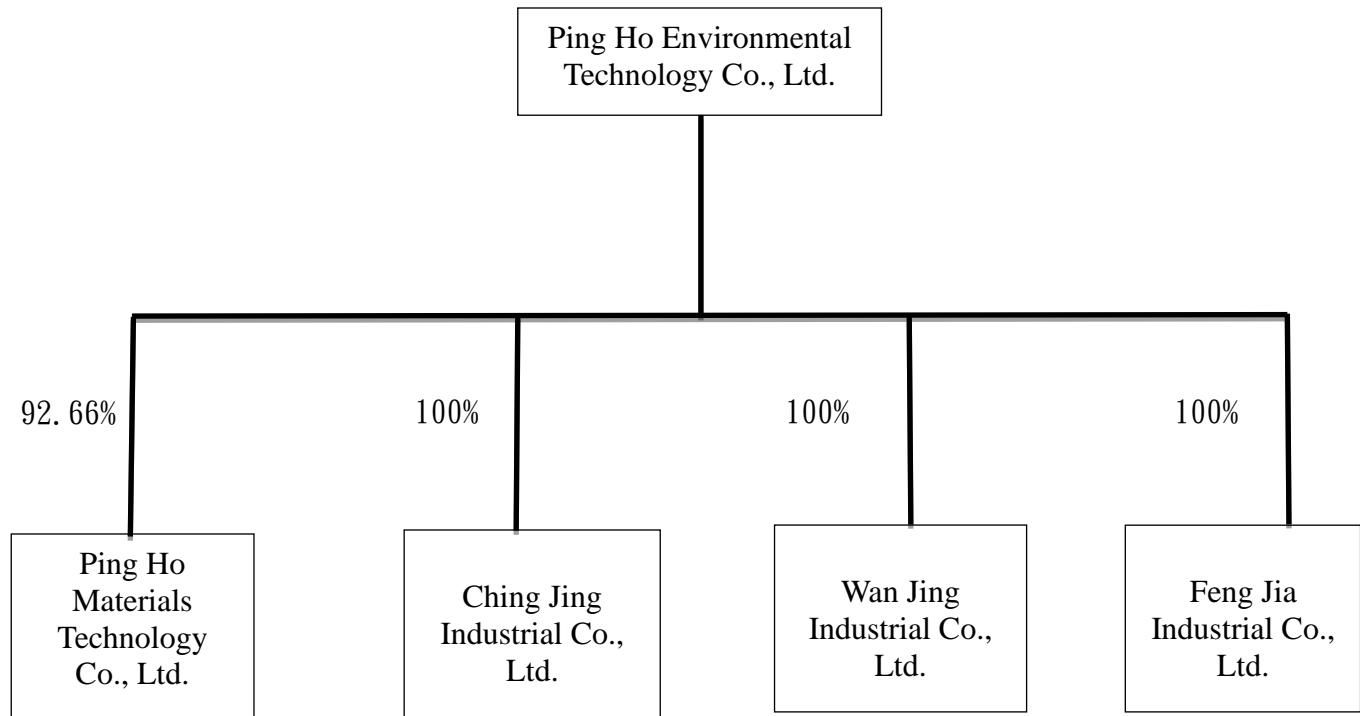
VIII. Special Disclosure

I. Information of Affiliated Enterprises

(I) Consolidated Business Report of Affiliates

1. Organizational chart of the affiliates:

December 31, 2023



- (1) In accordance with Article 369-3 of the Company Act, it is presumed that there are relationship with control or subordination companies: None.
- (2) In accordance with the second clause of Article 369-2 of the Company Act, there are subsidiaries directly or indirectly controlled by the Company in terms of personnel, finance, or business operations: None.

2. Basic information of affiliates:

Unit: NTD 1,000; December 31, 2023

Company Name	Date of Incorporation	Address	Paid-in Capital	Major Operation or Production
Ping Ho Materials Technology Co., Ltd.	November 4, 2016	Address: No. 106, Keji 3rd Rd., Annan Dist., Tainan City	150,000	Wastewater Treatment
Ching Jing Industrial Co., Ltd.	December 18, 2008	1F., No. 592, Daren Rd., Luzhu Dist., Kaohsiung City	24,700	Waste Transportation
Wan Jing Industrial Co., Ltd.	January 12, 2010	1F., No. 592, Daren Rd., Luzhu Dist., Kaohsiung City	9,000	Waste Transportation
Feng Jia Industrial Co., Ltd.	October 23, 2007	1F., No. 592, Daren Rd., Luzhu Dist., Kaohsiung City	63,510	Manufacture and Wholesale of Chemical Feedstock

3. Presumed same shareholder information for relationship with control or subordination companies: None.

4. The industries covered by the business operated by the affiliates overall: Wastewater Treatment, Waste Transportation, and Manufacture and Wholesale of Chemical Feedstock.

5. Information of affiliates' Directors, Supervisors, and General Managers:

Unit: shares; April 9, 2024

Company Name	Title	Name or Representative	Number of Shares Held	
			Number of shares (shares)	Shareholding Ratio (%)
Ping Ho Environmental Technology Co., Ltd.	Chairman	Ming-Yang Wu	2,101,172	7.20%
	Director and CEO	Ming-Jen Hung	1,268,420	4.35%
	Director	Ming-Cheng Chung	589,680	2.02%
	Director	Chin-Lan Huang	211,450	0.72%
	Independent Director	Chi-Shan Hung	0	0%
	Independent Director	Tao-Min Chen	0	0%
	Independent Director	Jun-An Chang	0	0%
Ping Ho Materials Technology Co., Ltd.	Chairman	Representative of Ping Ho Environmental Technology Co., Ltd.: Ming-Yang Wu	13,898,900	92.66%
	Director	Representative of Ping Ho Environmental Technology Co., Ltd.: Hung-Chieh Huang	13,898,9009	92.66%
	Director	Representative of Hao Chun Development Co., Ltd.: Hao-Hung, Lo	31,700	6.21%
	Supervisor	Yu-Chen Chung	0	0%
Ching Jing Industrial Co., Ltd.	Chairman and General Manager	Representative of Ping Ho Environmental Technology Co., Ltd.: Ming-Jen Hung	2,470,000	100.00%
	Director and Vice President	Representative of Ping Ho Environmental Technology Co., Ltd.: Hung-Chieh Huang	2,470,000	100.00%
	Chairman and General Manager	Representative of Ping Ho Environmental Technology Co., Ltd.: Ming-Jen Hung	900,000	100.00%
	Director and Vice	Representative of Ping Ho Environmental Technology Co.,	900,000	100.00%
Wan Jing Industrial Co., Ltd.				

Company Name	Title	Name or Representative	Number of Shares Held	
			Number of shares (shares)	Shareholding Ratio (%)
	President	Ltd.: Hung-Chieh Huang		
Feng Jia Industrial Co., Ltd.	Chairman and General Manager	Representative of Ping Ho Environmental Technology Co., Ltd.: Ming-Jen Hung	6,351,000	100.00%
	Director and Vice President	Representative of Ping Ho Environmental Technology Co., Ltd.: Hung-Chieh Huang	6,351,000	100.00%

6. Operating Overview of Affiliated Enterprises: The financial status and operating results of each affiliates

Unit: NTD 1,000; December 31, 2023

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating Revenue	Operating Profit (Loss)	Current profit and loss (after tax)	Earnings Per Share (dollar) (after tax)
Ping Ho Materials Technology	150,000	530,000	392,642	137,358	0	(21,785)	(24,889)	(1.97)
Ching Jing Industrial Co., Ltd.	24,700	46,151	9,436	36,715	39,944	9,844	7,169	2.90
Wan Jing Industrial Co., Ltd.	9,000	19,282	4,977	14,305	12,502	4,300	3,491	3.88
Feng Jia Industrial Co., Ltd.	63,510	168,434	65,952	102,482	184,198	30,705	24,968	3.93

(II) Consolidated Financial Statements of Affiliates

The companies included in the Consolidated Financial Statements of the Affiliates for the company in 2023 and those required to be included in the preparation of consolidated financial statements of the parent and subsidiaries according to International Financial Reporting Standards 10 are the same. All related information that should be disclosed in the Consolidated Financial Statements of the Affiliates is already included in the consolidated financial statements of the parent and subsidiaries. Therefore, there is no need to prepare additional Consolidated Financial Statements of the Affiliates.

(III) Affiliation Report: Not applicable.

- II. Private Placement Securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**
- III. The Shares in the Company Held or Disposed of by Subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.**
- IV. Other matters that require additional description: None.**
- V. The matters of special note shall include an explanation of any material differences from the rules of the ROC in relation to the protection of shareholder equity observed in primary exchange listed (emerging stock) companies: Not applicable.**

IX. According to Article 36, paragraph 3, subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholders' equity or the price of the Company's securities during the current fiscal year up to the date of publication of the annual report: None.



Ping Ho Environmental
Technology Co., Ltd.

Chairman: Ming-Yang Wu