Stock Code: 8473

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Financial Report and CPA's Audit Report

2023 and 2022

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Declaration

For the year of 2023 (from January 1 to December 31, 2023), the companies which are to be included in the consolidated financial report of affiliates prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those which are to be included in the consolidated financial report of the parent company and subsidiaries pursuant to IFRS 10 approved by the Financial Supervisory Commission, and the relevant information which is to be disclosed in the consolidated financial report of affiliates has been disclosed in the foregoing consolidated financial report of the parent company and subsidiaries. Therefore, no separate consolidated financial report of affiliates has been prepared.

Declarant:

Company name: FOREST WATER

ENVIRONMENTAL ENG'G CO., LTD.

Chairman: Shu-Chen Kuo

Date: March 14, 2024

CPA’s Audit Report

To the Board of Directors of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.:

Audit Opinions

We have audited the consolidated balance sheets of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and its subsidiaries (the “Group”) as of December 31, 2023 and 2022, their consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods from January 1 to December 31, 2023 and 2022, and the notes to its parent-only financial report (including the summary of significant accounting policies).

In our opinion, with respect to all material aspects, the foregoing consolidated financial report was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and thus provided a fair presentation of the consolidated financial positions of the Group as of December 31, 2023 and 2022 and its consolidated financial performance and cash flows for the periods from January 1 to December 31, 2023 and 2022.

Basis of Audit Opinions

We conducted audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and relevant auditing standards. Our responsibilities under such standards are further described in the section of “Responsibilities of CPAs for the Audit of Consolidated Financial Reports”. Our CPAs who are subject to independence requirements have, in accordance with the Standards of Professional Ethics for Certified Public Accountants, remained independent from the Group and have fulfilled all other responsibilities under the standards. We believe that we have acquired sufficient and appropriate audit evidence as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial report of the Group for 2023. Such matters were addressed in the context of our audit of the consolidated financial report as a whole and, in forming our opinions thereon, we have not provided any separate opinion on these matters. In our judgment, the following key audit matters shall be communicated in the audit report:

I. Recognition of profits/losses on engineering contracts and losses on onerous contracts

For the accounting policies regarding the recognition of revenues from engineering projects, see "Recognition of revenues" under Note 4(15) to the consolidated financial report. For uncertainties of the assumptions and estimates involved in the recognition of revenues from engineering contracts, see Note 5. For disclosures related to contract revenues, see Note 6(16).

Description of key audit matters:

The primary business of the Group consists of engineering contracts with customers, with a significant portion of the operating revenues generated from such contracts. The recognition of revenues from such contracts involves significant estimates and judgments, such as the total cost of engineering contracts, the degree of completion, the consideration of cost-related increases or decreases in the revenues from engineering projects, and the recognition of losses on onerous contracts. Subjective judgment of the management may result in certain changes in estimates, which in turn are likely to affect the profits/losses and revenues recognized in the financial statements of the Group. Therefore, the recognition of profits/losses on engineering contracts and losses on onerous contracts is an important matter for assessment in the audit of the consolidated financial report of the Group conducted by us.

The corresponding audit procedures:

Our main procedures for the above-mentioned key audit matters included testing the effectiveness of internal control over the timing and accuracy of revenue and cost recognition for engineering contracts, reviewing significant contract samples, and interviewing management to understand the specific terms and risks of each contract. We also tested the management's reasonableness in estimating total contract costs, the degree of contract completion, and contract profit margins. We tested the procedures for estimating engineering project prices and reconciled and adjusted them according to the general ledger to assess whether the revenues and costs of engineering contracts were recognized in accordance with relevant accounting standards. Additionally, we obtained supporting documents from management to assess onerous contracts and checked whether accounting records reflected expected contract losses.

II. Assessment of impairment of assets

For the accounting policies regarding recognition, see “Impairment of non-financial assets” under Note 4(13) to the consolidated financial report. For uncertainties of the accounting estimates and assumptions for assessment of impairment of property, plant and equipment and intangible assets, see Note 5(2). For details of the assessment of impairment of property, plant and equipment and intangible assets, see “Property, plant and equipment” under Note 6(6) and “Intangible assets” under Note 6(7) to the consolidated financial report.

Description of key audit matters:

The carrying amount of property, plant and equipment and intangible assets of the Group accounted for approximately 18% of the total assets as of December 31, 2023. The key composition of the amount consisted of the primary operating assets of the Group and concessions arising from its contracts with governmental agencies on privately managed public services. Because the operations of some subsidiaries were affected by the industrial environment, falling short of the expected benefits at the time of the original investments, there was doubt as to whether the carrying amount of the operating assets and concessions of the Group exceeded its recoverable amount. The management of the Group was required to estimate the recoverable amount of the aforementioned assets in accordance with IAS 36 “Impairment of Assets”. Since the estimation of the recoverable amount involved the management’s subjective judgment and was highly uncertain, which might result in the risk of overestimation of the carrying amount of property, plant and equipment and concessions, we included the assessment of impairment of the aforementioned assets as one of the significant key audit matters in our audit of the consolidated financial report.

The corresponding audit procedures:

We acquired the module and related assumptions for assessment of asset impairment by the management of the Group to evaluate whether the management had fully identified the individual cash generating units likely to be impaired, and we considered whether all assets subject to impairment testing had been fully included in the assessment process. We also reviewed the individual financial assumptions used by the management and the supporting documents for the recoverable amount, and verified the reasonableness of the management’s assumptions and the accuracy of calculations based on the relevant information available. In addition, we reviewed the appropriateness of disclosures related to impairment of the aforementioned assets of the Group.

Other Matters

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. has prepared the parent-only financial report for 2023 and 2022, with an unqualified audit report issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated Financial Reports

The management is responsible for preparing the consolidated financial report with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and maintaining the necessary internal control related to preparation of the consolidated financial report to ensure that the consolidated financial report is free of material misstatements due to fraud or error.

During preparation of the consolidated financial report, the management is also responsible for evaluating the Group's going concern ability, disclosure of relevant matters and application of the going concern basis of accounting, unless the management intends to liquidate or cease the operation of the Group, or there are no other actual feasible solutions other than liquidation or cessation of operation.

The governing bodies (including the Audit Committee) of the Group are responsible for supervising the process of financial reporting.

Responsibilities of CPAs for the Audit of Consolidated Financial Reports

The purpose of our audit of the consolidated financial report is to obtain reasonable assurance about whether the consolidated financial report is free of material misstatements due to fraud or error, with an audit report issued thereafter. Reasonable assurance means a high degree of assurance. However, there is no guarantee that any material misstatement contained in the consolidated financial report will be discovered during an audit conducted in accordance with relevant auditing standards. A misstatement may be due to fraud or error. A misstatement is deemed material if the individual or aggregate amount misstated is reasonably expected to affect economic decisions made by users of the consolidated financial report.

We rely on our professional judgment and professional skepticism during an audit conducted in accordance with relevant auditing standards. We also perform the following tasks:

1. We identify and assess the risk of misstatement in the consolidated financial report due to fraud or error, design and implement appropriate measures in response to the assessed risk, and acquire sufficient and appropriate audit evidence as the basis of our audit opinions. Since fraud may involve collusion, forgery, intentional omission, fraudulent statement or violation of internal control, the risk of misstatement due to fraud is higher than that due to error.
2. We acquire necessary understanding of the internal control related to an audit to design audit procedures appropriate for the current circumstances, provided that the purpose of the foregoing is not to express opinions regarding the effectiveness of the internal control of the Group.
3. We assess the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures made by the management.

4. We draw a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether there is material uncertainty in an event or circumstances which may cast significant doubt about the ability of the Group to remain a going concern. If any material uncertainty is deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the consolidated financial report to pay attention to the relevant disclosures therein, or revise our audit opinions when any such disclosure is inappropriate. Our conclusion is based on the audit evidence obtained as of the date of this audit report. However, future events or circumstances could result in a situation where the Group is no longer able to remain a going concern.
5. We assess the overall presentation, structure and contents of the consolidated financial report (including relevant notes) and whether the consolidated financial report provides a fair presentation of the relevant transactions and events.
6. We acquire sufficient and appropriate audit evidence of the financial information of the entities forming the Group to provide opinions regarding the consolidated financial report. We are responsible for guidance, supervision and implementation in relation to audit cases and for formation of audit opinions for the Group.

The matters for which we communicate with the governing bodies include the planned scope and time of audit, and our material audit findings (including the significant deficiencies of internal control identified during the audit).

We also provide a declaration to the governing bodies stating that our CPAs who are subject to independence requirements have complied with the independence requirements in the Standards of Professional Ethics for Certified Public Accountants, and we communicate with the governing bodies regarding all relationships and other matters (including relevant safeguard measures) which are deemed likely to affect the independence of CPAs.

The key audit matters in the audit of the consolidated financial report of the Group for 2023 have been determined by us from the matters regarding which we have communicated with the governing bodies. We have specified such matters in the audit report, except where public disclosure of certain matters is prohibited by applicable laws or regulations, or where, under very exceptional circumstances, we have decided not to cover communicate certain matters in the audit report due to the reasonable expectation that any negative effect arising from such communication would be greater than the public interest enhanced.

KPMG Taiwan

CPAs:

Document No. of Approval and Certification by the Competent Authority for Securities	:	Jin-Guan-Zheng-Liu-Zi No. 0940100754 Jin-Guan-Zheng-Shen-Zi No. 1110333933

March 14, 2024

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Balance Sheet

December 31, 2023 and 2022

Unit: NTD thousand

		2023.12.31		2022.12.31	
	Assets	**Amount**	**%**	**Amount**	**%**
	Current assets:				
1100	Cash and cash equivalents (Note 6(1))	$ 1,790,514	12	1,362,598	9
1110	Financial assets measured at fair value through profit/loss – current (Note 6(2))	276,297	2	312,725	2
1141	Contract assets – current (Note 6(16))	693,347	5	1,021,274	7
1151	Notes receivable (Notes 6(4) and 6(16))	-	-	4,888	-
1172	Accounts receivable (Notes 6(4), 6(8), 6(16), 8 and 9)	1,579,650	10	1,468,080	10
1220	Income tax assets for the period	13,308	-	12,564	-
1410	Prepayments (Note 7)	152,915	1	168,036	1
1476	Other financial assets – current (Note 8)	682,648	4	623,262	4
1479	Other current assets – other	57,976	-	76,366	-
1482	Cost of contract performance – current	3,378	-	2,306	-
		5,250,033	34	5,052,099	33
	Non-current assets:				
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 6(3))	172,789	1	99,465	1
1551	Investments accounted for using the equity method (Note 13(2))	111,343	1	116,775	1
1600	Property, plant and equipment (Notes 6(6) and 8)	671,958	4	627,325	4
1755	Right-of-use assets	18,755	-	29,203	-
1780	Intangible assets (Notes 6(7) and 8)	2,198,636	14	2,293,769	14
1840	Deferred income tax assets (Note 6(13))	102,514	1	98,883	1
1932	Long-term receivables (Notes 6(8) and 8)	6,746,205	44	6,979,704	45
1980	Other financial assets – non-current (Note 8)	163,682	1	83,365	1
		10,185,882	66	10,328,489	67
	Total assets	**$ 15,435,915**	**100**	**15,380,588**	**100**

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Balance Sheet (continued)

December 31, 2023 and 2022

Unit: NTD thousand

		2023.12.31		2022.12.31	
	Liabilities and equity	**Amount**	**%**	**Amount**	**%**
	Current liabilities:				
2102	Bank loans (Note 6(10))	$ 1,791,168	12	1,610,000	11
2111	Short-term notes payable (Note 6(9))	906,000	6	1,146,000	7
2120	Financial liabilities measured at fair value through profit/loss – current (Notes 6(2) and 6(12))	4,590	-	-	-
2130	Contract liabilities – current (Note 6(16))	131,976	1	120,877	1
2150	Notes payable (Note 7)	239,654	2	327,576	2
2170	Accounts payable (Note 7)	854,368	6	880,561	6
2200	Other payables (Notes 6(6), 6(17) and 7)	342,910	2	197,740	1
2230	Income tax liabilities for the period (Note 6(13))	69,315	-	24,239	-
2250	Liability provision – current	211,904	1	277,628	2
2280	Lease liabilities – current (Note 7)	3,047	-	7,865	-
2322	Long-term loans maturing within one year or operating cycle (Note 6(11))	173,326	1	310,721	2
2321	Corporate bonds maturing or puttable within one year or operating cycle (Note 6(12))	866,052	6	-	-
2399	Other current liabilities – other	6,926	-	14,845	-
		5,601,236	37	4,918,052	32
	Non-current liabilities:				
2500	Financial liabilities measured at fair value through profit/loss – non-current (Notes 6(2) and 6(12))	-	-	16,200	-
2530	Corporate bonds payable (Note 6(12))	-	-	948,919	6
2540	Long-term loans (Note 6(11))	1,626,787	11	1,799,221	12
2550	Liability provision – non-current	72,658	-	66,005	-
2573	Deferred income tax liabilities – other (Note 6(13))	525,862	3	523,881	4
2580	Lease liabilities – non-current (Note 7)	16,954	-	23,063	-
2612	Long-term payables	53,392	-	61,220	-
2645	Deposits received	80,491	1	81,007	1
		2,376,144	15	3,519,516	23
	Total liabilities	**7,977,380**	**52**	**8,437,568**	**55**
	Equity attributable to owners of the parent company (Notes 6(12) and 6(14)):				
3110	Common share capital	1,573,490	10	1,442,492	9
3200	Capital reserves	4,084,257	27	3,819,082	25
3310	Legal reserves	68,613	-	278,699	2
3320	Special reserves	59,185	-	59,185	-
3350	Undistributed earnings	39,751	-	(210,086)	(1)
3400	Other equity	(38,729)	-	(88,453)	(1)
	Subtotal of equity attributable to owners of the parent company	5,786,567	37	5,300,919	34
36xx	**Non-controlling interests (Note 6(5))**	1,671,968	11	1,642,101	11
	Total equity	7,458,535	48	6,943,020	45
	Total liabilities and equity	**$ 15,435,915**	**100**	**15,380,588**	**100**

(Please read the attached notes to the consolidated financial report)

Chairman: Shu-Chen Kuo President: Jen-Chieh Wu Accounting Manager: Hsin-Wen Yang

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

		2023			2022	
			Amount	%	Amount	%
4000	**Operating revenue (Notes 6(16), 7 and 9)**	$	3,679,679	100	3,922,895	100
5000	**Operating cost (Notes 6(7) and 7)**		3,060,580	83	3,656,365	93
	Gross operating profit		619,099	17	266,530	7
6100	**Operating expenses (Notes 6(7), 6(17) and 7):**					
6200	Administrative expense		212,147	6	226,849	6
6300	R&D expense		-	-	483	-
	Total operating expenses		212,147	6	227,332	6
	Net operating profit		406,952	11	39,198	1
	Non-operating revenues and expenses (Notes 6(6), 6(7), 6(8), 6(12), 6(18) and 7):					
7100	Interest income		10,980	-	3,984	-
7020	Other profits and losses		29,099	1	(25,618)	(1)
7050	Financial cost		(168,769)	(5)	(144,093)	(3)
7370	Share of profits of associates and joint ventures accounted for using the equity method		5,533	-	(4,781)	-
	Total non-operating revenues and expenses		(123,157)	(4)	(170,508)	(4)
	Pre-tax net profit (loss) of continuing operations		283,795	7	(131,310)	(3)
7950	**Less: Income tax expense (Note 6(13))**		121,386	3	37,571	1
	Net profit (loss) for the period		162,409	4	(168,881)	(4)
8300	**Other comprehensive income:**					
8310	**Items not reclassified as profit/loss**					
8316	Unrealized valuation profit/loss on investments in equity instruments measured at fair value through other comprehensive income		49,961	1	(30,525)	(1)
	Total items not reclassified as profit/loss		49,961	1	(30,525)	(1)
8360	**Items likely to be subsequently reclassified as profit/loss**					
8361	Exchange differences on translation of financial statements of foreign operations		352	-	64	-
8370	Share of other comprehensive income of associates and joint ventures accounted for using the equity method – items likely to be reclassified as profit/loss		(1,525)	-	1,454	-
	Total items likely to be subsequently reclassified as profit/loss		(1,173)	-	1,518	-
8300	**Other comprehensive income for the period (after-tax, net)**		48,788	1	(29,007)	(1)
	Total comprehensive income for the period	**$**	**211,197**	**5**	**(197,888)**	**(5)**
	Net profit (loss) for the period attributable to:					
8610	Owners of the parent company	$	39,751	1	(273,003)	(7)
8620	Non-controlling interests (Note 6(5))		122,658	3	104,122	3
		$	**162,409**	**4**	**(168,881)**	**(4)**
	Total comprehensive income attributable to:					
8710	Owners of the parent company	$	89,475	2	(302,271)	(8)
8720	Non-controlling interests (Note 6(5))		121,722	3	104,383	3
		$	**211,197**	**5**	**(197,888)**	**(5)**
9750	**Basic earnings (losses) per share (NTD) (Note 6(15))**	**$**		**0.27**		**(1.89)**
9850	**Diluted earnings (losses) per share (NTD) (Note 6(15))**	**$**		**0.24**		**(1.89)**

(Please read the attached notes to the consolidated financial report)

Chairman: Shu-Chen Kuo President: Jen-Chieh Wu Accounting Manager: Hsin-Wen Yang

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Statement of Changes in Equity

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	Equity attributable to owners of the parent company									
			Retained earnings			Other equity				
	Common share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings	Exchange differences on translation of financial statements of foreign operations	Unrealized profit (loss) on financial assets measured at fair value through other comprehensive income	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance as of January 1, 2022	$ 1,442,492	3,819,082	259,111	-	264,302	(2,749)	(56,436)	5,725,802	1,634,854	7,360,656
Net loss for the period	-	-	-	-	(273,003)	-	-	(273,003)	104,122	(168,881)
Other comprehensive income for the period	-	-	-	-	-	1,485	(30,753)	(29,268)	261	(29,007)
Total comprehensive income for the period	-	-	-	-	(273,003)	1,485	(30,753)	(302,271)	104,383	(197,888)
Allocation and distribution of earnings:										
Legal reserves set aside	-	-	19,588	-	(19,588)	-	-	-	-	-
Special reserves set aside	-	-	-	59,185	(59,185)	-	-	-	-	-
Cash dividends for common shares	-	-	-	-	(122,612)	-	-	(122,612)	(112,136)	(234,748)
Increase/Decrease in non-controlling interests	-	-	-	-	-	-	-	-	15,000	15,000
Balance as of December 31, 2022	1,442,492	3,819,082	278,699	59,185	(210,086)	(1,264)	(87,189)	5,300,919	1,642,101	6,943,020
Net profit for the period	-	-	-	-	39,751	-	-	39,751	122,658	162,409
Other comprehensive income for the period	-	-	-	-	-	(1,283)	51,007	49,724	(936)	48,788
Total comprehensive income for the period	-	-	-	-	39,751	(1,283)	51,007	89,475	121,722	211,197
Allocation and distribution of earnings:										
Losses covered with legal reserves	-	-	(210,086)	-	210,086	-	-	-	-	-
Cash capital increase	103,450	196,555	-	-	-	-	-	300,005	-	300,005
Conversion of convertible corporate bonds	27,548	68,620	-	-	-	-	-	96,168	-	96,168
Increase/Decrease in non-controlling interests	-	-	-	-	-	-	-	-	29,400	29,400
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(121,255)	(121,255)
Balance as of December 31, 2023	**$ 1,573,490**	**4,084,257**	**68,613**	**59,185**	**39,751**	**(2,547)**	**(36,182)**	**5,786,567**	**1,671,968**	**7,458,535**

(Please read the attached notes to the consolidated financial report)

Chairman: Shu-Chen Kuo **President: Jen-Chieh Wu** **Accounting Manager: Hsin-Wen Yang**

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Statement of Cash Flows

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

		2023	2022
Cash flows from operating activities:			
Pre-tax net profit (loss) for the period	$	283,795	(131,310)
Adjustments:			
Profits, expenses and losses			
Depreciation expense		39,987	40,222
Amortization expense		147,441	153,299
Net loss (profit) on financial assets and liabilities measured at fair value through profit/loss		(11,913)	9,373
Interest expense		147,418	125,078
Interest income		(10,980)	(3,984)
Share of losses (profits) of associates and joint ventures accounted for using the equity method		(5,533)	4,781
Loss on disposal and obsolescence of property, plant and equipment		435	1,309
Loss on disposal of intangible assets		5	-
Loss on impairment of non-financial assets		-	22,000
Profit on reversal of impairment of non-financial assets		(8,190)	-
Replacement expense		8,803	9,585
Loss (Profit) on lease termination		(454)	323
Liability provision set aside (reversed)		(60,211)	200,175
Total profits, expenses and losses		246,808	562,161
Changes in assets/liabilities related to operating activities:			
Financial assets measured at fair value through profit/loss on a mandatory basis		37,431	(91,309)
Contract assets		289,390	(444,510)
Notes receivable		4,888	7,048
Accounts receivable		(81,594)	(333,903)
Prepayments		15,121	138,046
Other current assets		18,390	(13,808)
Other financial assets		(151,724)	(70,075)
Cost of contract performance		(1,072)	(1,629)
Long-term receivables		179,593	143,035
Contract liabilities		11,099	(93,969)
Notes payable		(87,922)	166,840
Accounts payable		(26,193)	116,744
Other payables		19,307	(16,689)
Liability provision		(9,059)	(5,323)
Other current liabilities		(7,919)	8,181
Long-term payables		(7,828)	(6,987)
Total adjustments		448,716	63,853
Cash inflow (outflow) from operations		732,511	(67,457)
Interest received		34,736	3,793
Dividends received		9,440	-
Interest paid		(131,302)	(111,010)
Income tax paid		(78,704)	(143,717)
Net cash inflow (outflow) from operating activities		566,681	(318,391)

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries

Consolidated Statement of Cash Flows (continued)

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

		2023	2022
Cash flows from investing activities:			
Acquisition of property, plant and equipment	$	(80,481)	(44,126)
Disposal of property, plant and equipment		90	425
Acquisition of intangible assets		(2,114)	(1,022)
Other financial assets		(7,179)	(11,760)
Other financial assets – non-current		19,374	28,216
Net cash outflow from investing activities		(70,310)	(28,267)
Cash flows from financing activities:			
Increase in short-term loans		181,168	119,279
Increase (Decrease) in short-term notes payable		(240,000)	451,000
Repayment of corporate bonds		-	(500,000)
Borrowing of long-term loans		-	59,236
Repayment of long-term loans		(309,829)	(313,296)
Decrease in deposits received		(516)	(14,743)
Increase in other receivables – related parties		100,000	-
Repayment of principal of lease		(7,780)	(7,344)
Distribution of cash dividends		(121,255)	(234,748)
Cash capital increase		300,005	-
Change in non-controlling interests		29,400	15,000
Net cash outflow from financing activities		(68,807)	(425,616)
Effect of changes in exchange rate on cash and cash equivalents		352	69
Increase (Decrease) in cash and cash equivalents for the period		427,916	(772,205)
Beginning balance of cash and cash equivalents		1,362,598	2,134,803
Ending balance of cash and cash equivalents	**$**	**1,790,514**	**1,362,598**

(Please read the attached notes to the consolidated financial report)

Chairman: Shu-Chen Kuo President: Jen-Chieh Wu Accounting Manager: Hsin-Wen Yang

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries
Notes to the Consolidated Financial Report
2023 and 2022
(All amounts are in NTD thousand, unless otherwise specified)

I. History of the Company

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (hereinafter referred to as the "Company") was established on June 10, 2004, with its registered address located at 3F, No. 99, Jilin Rd., Zhongshan Dist., Taipei City. The primary business scope of the Company and its subsidiaries (hereinafter referred to as the "Consolidated Company") includes engineering projects for environmental protection, sewage treatment, waste treatment and recycling, and the recycling and decomposition of compostable food waste.

II. Date and procedures of approval of the financial report

This consolidated financial report was approved and released by the Board of Directors on March 14, 2024.

III. Application of new and amended standards and interpretations

(I) Effects of the application of the new and amended standards and interpretations approved by the Financial Supervisory Commission (FSC)

The Consolidated Company began to apply the following newly amended IFRSs on January 1, 2023, and there has been no material effect on the consolidated financial report.

- Amendment to IAS 1 "Disclosure of Accounting Policies"
- Amendment to IAS 8 "Definition of Accounting Estimates"
- Amendment to IAS 12 "Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction"

The Consolidated Company began to apply the following newly amended IFRSs on May 23, 2023, and there has been no material effect on the consolidated financial report.

- Amendment to IAS 12 "International Tax Reform – Pillar Two Model Rules"

(II) Effects of the IFRSs approved by the FSC which have yet to be applied

The Consolidated Company has assessed that the application of the following newly amended IFRSs, which came into effect on January 1, 2024, is unlikely to have any material effect on the consolidated financial report.

- Amendment to IAS 1 "Classification of Liabilities as Current or Non-current"
- Amendment to IAS 1 "Non-current Liabilities with Covenants"
- Amendments to IAS 7 and IFRS 7 "Supplier Finance Arrangements"
- Amendment to IFRS 16 "Lease Liability in a Sale and Leaseback"

(III) New and amended standards and interpretations not yet approved by the FSC

The Consolidated Company expects that the following new and amended standards not yet approved by the FSC are unlikely to have any material effect on the consolidated financial report.

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- Amendments to IFRS 17 “Insurance Contracts” and IFRS 17
- Amendment to IAS 21 “Lack of Exchangeability”

IV. Summary of material accounting policies

The material accounting policies adopted by this consolidated financial report are described below. Unless specified otherwise, the following accounting policies have been consistently applied to all presentation periods of this consolidated financial report.

(I) Statement of compliance

This consolidated financial report has been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter the “Regulations”), and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the FSC (hereinafter the “FSC-approved IFRSs”).

(II) Basis of preparation

1. Basis of measurement

Except for the following major titles of the balance sheet, this consolidated financial report has been prepared on the basis of historical cost:

(1) Financial instruments measured at fair value through profit/loss;

(2) Financial assets measured at fair value through other comprehensive income

2. Functional currency and presentation currency

Each entity of the Consolidated Company uses the currency of the primary economic environment where its operations are located as its functional currency. This consolidated financial report is presented in NTD, which is our functional currency. The unit for all financial information presented in NTD is NTD thousand.

(III) Basis of consolidation

1. Principles for preparation of the consolidated financial report

The subjects of the consolidated financial report include the Company and the entities controlled by the Company (i.e., subsidiaries). The Company controls an investee entity when it is exposed to, or has rights to, variable returns from its participation in the entity and is able to influence such returns through its power over the entity.

The Company begins to include its financial report in the consolidated financial report from the date it acquires control over a subsidiary until the date it loses control. All transactions, balances, and unrealized profits, expenses and losses of the Consolidated Company had been eliminated at the time of preparation of the consolidated financial report. The total comprehensive income of a subsidiary is attributable to the owners of the Company and non-controlling interests respectively, even when non-controlling interests become a loss balance as a result.

The financial reports of subsidiaries have been properly adjusted to ensure their accounting policies are consistent with those applied by the Consolidated Company.

Changes in the ownership interest of the Consolidated Company in a subsidiary that do not result in a loss of control over the subsidiary are treated as equity transactions with the owners. The difference between the adjusted amount of non-controlling interests and the fair value of considerations paid or received is directly recognized in equity and attributable to the owners of the Company.

2. Subsidiaries included in the consolidated financial report

The following subsidiaries are included in this consolidated financial report:

Name of investor company	Name of subsidiary	Nature of business	Percentage of all shareholdings		Description
			2023.12.31	2022.12.31	
The Company	Green Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	70.00	70.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Orient Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Perfection Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Top Forest Water Co., Ltd.	Water treatment, treatment of reclaimed water, etc.	70.00	-	An investee in which the Company has a comprehensive shareholding of more than 50% (Note 1)
The Company	Easy Development Co., Ltd.	Waste disposal, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Grain Forest Green Energy	Power generation from renewable	70.00	70.00	An investee in which the Company has a

Name of investor company	Name of subsidiary	Nature of business	Percentage of all shareholdings 2023.12.31	2022.12.31	Description
	Co., Ltd.	energy			comprehensive shareholding of more than 50%
The Company	Eastern Forest Environmental Technology Co., Ltd.	Environmental health and pollution prevention	70.00	70.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Re-use Environmental Co., Ltd.	Waste disposal, etc.	50.41	50.41	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Rising Environmental Co., Ltd.	Waste disposal, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Modern Rich Investment Limited	Investments in production and financial businesses	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Lea Lea Environmental Enterprise Co., Ltd.	Waste disposal, etc.	95.00	95.00	An investee in which the Company has a comprehensive shareholding of more than 50%
Eastern Forest Environmental Technology Co., Ltd.	Li Xing Investment Co., Ltd.	Investments in production and financial businesses	-	100.00	An investee in which the Company has a comprehensive shareholding of more than 50% (Note 3)
Modern Rich Investment Limited	Faith Honest International Investment Limited	Investments in production and financial businesses	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
Li Xing Investment Co., Ltd.	Forest Water Investment Co., Ltd.	Investments in production and financial businesses	-	100.00	An investee in which the Company has a comprehensive shareholding of more than 50% (Note 3)
Forest Water Investment Co., Ltd.	Beijing Forest Water Environment Technology Co., Ltd.	Environmental health and pollution prevention	-	70.00	An investee in which the Company has a comprehensive shareholding of more than 50% (Note 2)

Note 1: The subsidiary was established in December 2023, with the relevant registration procedures completed.

Note 2: The subsidiary underwent dissolution and liquidation as per a resolution of the shareholders' meeting in April 2022, and the cancellation of its registration was completed in April 2023.

Note 3: The subsidiary applied for cancellation of its registration in June 2023, with the relevant cancellation procedures completed.

3. Subsidiaries not included in the consolidated financial report: None.

(IV) Foreign currency

1. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the exchange rate on the transaction date. The monetary items of foreign currency on the end date of each subsequent reporting period (hereinafter the “reporting date”) are translated into the functional currency at the exchange rate on that day.

The non-monetary items of foreign currency measured at fair value are translated into the functional currency at the exchange rate on the date when the fair value is measured. The non-monetary items of foreign currency measured at historical cost are translated at the exchange rate on the transaction date.

Foreign currency exchange differences arising from translation are usually recognized in profit/loss, but are recognized in other comprehensive income under the following circumstances:

(1) Equity instruments designated as measured at fair value through other comprehensive income;

(2) financial liabilities designated for hedging of the net investment in foreign operations to the extent hedging is effective; or

(3) a qualified cash flow hedge to the extent hedging is effective.

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into NTD at the exchange rate on the reporting date. Profits, expenses and losses are translated into NTD at the average exchange rate of the current period, and the resulting exchange differences are recognized in other comprehensive income.

Where the disposal of a foreign operation results in a loss of control, joint control or a material effect, all accumulated exchange difference related to the foreign operation are reclassified in profit/loss. In the case of partial disposal of a subsidiary that includes foreign operations, the related accumulated exchange differences are reattributed to non-controlling interests on a pro rata basis. In the case of partial disposal of the investment of an associate or joint venture that includes foreign operations, the related accumulated exchange differences are reclassified as profit/loss on a pro rata basis.

Profits/Losses on foreign currency exchange arising from the monetary receivables or payables of a foreign operation, for which there are no settlement plans and which are unlikely to be settled in the foreseeable future, are recognized in other comprehensive income as part of the net investment in the foreign operation.

(V) Criteria for classification of assets and liabilities as current and non-current

Assets that meet one of the following criteria are classified as current, and assets other than the current ones are classified as non-current:

1. The assets are expected to be realized in the normal operating cycle (usually more than one year for engineering) or intended to be sold or consumed;
2. the assets are held primarily for the purpose of transaction;
3. the assets are expected to be realized within 12 months after the reporting period; or
4. the assets are cash or cash equivalents, except where the assets are restricted from being exchanged or used to settle liabilities for at least 12 months after the reporting period.

Liabilities that meet one of the following criteria are classified as current, and liabilities other than the current ones are classified as non-current:

1. The liabilities are expected to be settled in the normal operating cycle (usually more than one year for engineering);
2. the liabilities are held primarily for the purpose of transaction;
3. the liabilities are expected to mature and be settled within 12 months after the reporting period; or
4. Liabilities with a settlement date for which there is no right to unconditionally defer it for at least 12 months after the reporting period. Terms of liabilities that could, at the option of the counterparty, result in their settlement by the issuance of equity instruments will not affect their classification.

(VI) Cash and cash equivalents

Cash includes cash on hand and demand deposits. Cash equivalents are short-term and highly liquid investments that can be converted into fixed amounts of cash at any time with minimal risk of changes in value. Time deposits that meet the foregoing definition and are held for the purpose of fulfilling short-term cash commitments rather than investment or any other purpose are recognized as cash equivalents.

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized at the time they arise. All other financial assets and liabilities are initially recognized when the Consolidated

Company becomes a party to the contractual terms of the financial instrument. Financial assets or liabilities not measured at fair value through profit/loss (except for accounts receivable that do not include material financial components) are initially measured at fair value plus transaction costs directly attributable to the acquisition or issuance. Accounts receivable that do not include material financial components are initially measured at transaction price.

1. Financial assets

Where the purchase or sale of financial assets constitutes a regular transaction, the Consolidated Company subjects all purchases and sales of financial assets classified in the same manner to accounting treatment based on the transaction date or settlement date.

Financial assets are classified as follows on initial recognition: Financial assets measured at amortized cost, investments in equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit/loss. The Consolidated Company only reclassifies all affected financial assets from the first day of the next reporting period when it changes the operating model for the management of financial assets.

(1) Financial assets measured at amortized cost

Financial assets that meet the following criteria and are not designated as measured at fair value through profit/loss are measured at amortized cost:

- The financial assets are held under an operating model with the purpose of receiving contractual cash flows.
- The cash flows generated by the contractual terms of the financial assets on specified dates are solely for the purpose of paying principal and the interest on outstanding principal.

Such assets are subsequently measured at the initially recognized amount plus or less the accumulated amount of amortization calculated using the effective interest method, and after the amortized cost of any loss allowance is adjusted. Interest income, profits/losses on foreign currency exchange, and impairment losses are recognized in profit/loss. Upon derecognition, profits or losses are recognized in profit/loss.

(2) Financial assets measured at fair value through other comprehensive income

Investments in debt instruments that meet the following criteria and are not designated as measured at fair value through profit/loss are measured at fair value through other comprehensive income:

- The financial assets are held under an operating model with the purposes of receiving contractual cash flows and sales.
- The cash flows generated by the contractual terms of the financial assets on specified

dates are solely for the purpose of paying principal and the interest on outstanding principal.

On initial recognition, the Consolidated Company may make an irrevocable election to recognize the subsequent changes in the fair value of any investment in equity instruments not held for transaction in other comprehensive income. Such election is made on an instrument-by-instrument basis.

Investors in equity instruments are subsequently measured at fair value. Dividend income (unless clearly representing the recovery of part of the investment cost) is recognized in profit/loss. The remaining net profit or loss is recognized in other comprehensive income and is not reclassified as profit/loss.

Dividend income from equity investments is recognized on the date when the Consolidated Company is entitled to receive dividends (usually the ex-dividend date).

(3) Financial assets measured at fair value through profit/loss

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income, such as financial assets held for transaction and managed at fair value with their performance evaluated, are measured at fair value through profit/loss, including derivative financial assets. To eliminate or significantly reduce any accounting mismatch, the Consolidated Company may irrevocably designate financial assets measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit/loss at the time of initial recognition.

Such assets are subsequently measured at fair value, and their net profits or losses (including any dividend and interest income) are recognized in profit/loss.

(4) Impairment of financial assets

The Consolidated Company recognizes loss allowance for the expected credit loss of financial assets (including cash and cash equivalents, notes and accounts receivable, deposits paid, and other financial assets) and contract assets measured at amortized cost.

Loss allowance is measured at the amount of the 12-month expected credit loss for the following financial assets, and measured at the full lifetime expected credit loss for the others:

- Debt securities are determined to have a low credit risk on the reporting date; and
- The credit risk of other debt securities and bank deposits (i.e., the risk of default during the expected full lifetime of the financial instrument) has not increased significantly since initial recognition.

The loss allowance for accounts receivable and contract assets are measured at the amount of the full lifetime expected credit loss.

In determining whether the credit risk has significantly increased since initial recognition, the Consolidated Company will consider reasonable and supportive information (which can be obtained without excessive cost or investment), including qualitative and quantitative information, and any analysis based on the historical experience, credit assessment and prospective information of the Consolidated Company.

If the credit risk rating of a financial instrument is equivalent to any internationally defined “investment grade” (S&P’s investment grade of BBB-, Moody’s investment grade of Baa3, or the investment grade of twA of Taiwan Ratings, or any investment grade higher than the foregoing), the Consolidated Company will deem the debt securities to have a low credit risk.

If a contractual payment is overdue for more than 121 days, the Consolidated Company will assume that the credit risk of the financial asset has increased significantly.

If a contractual payment is overdue for more than 271 days, the Consolidated Company will deem the financial asset to be in default.

The full lifetime expected credit loss refers to the expected credit loss on a financial instrument from all possible default events over the expected life of the financial instrument.

The 12-month expected credit loss refers to the expected credit loss on a financial instrument resulting from possible default events within 12 months after the reporting date (or a shorter period if the expected life of the financial instrument is less than 12 months).

The longest period for measurement of the expected credit loss is the longest contract period in which the Consolidated Company is exposed to credit risk.

The expected credit loss is a probability-weighted estimate of the credit loss during the expected life of a financial instrument. The credit loss is measured at the present value of all cash shortfalls, which is the difference between the cash flow receivable by the Consolidated Company according to the contract and the cash flow expected to be received by the Consolidated Company. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the Consolidated Company assesses whether there is any credit impairment to financial assets measured at amortized cost and debt securities measured at fair value through other comprehensive income. When one or more events that adversely affect the estimated future cash flow of a financial asset have occurred, there is a credit impairment to the financial asset. Evidence of credit impairment to a financial asset includes the observable information of the following circumstances:

- Major financial difficulties of the borrower or issuer;

- Default, such as delay or being overdue for more than 271 days;
- Due to economic or contractual reasons related to the financial difficulties of the borrower, the Consolidated Company makes concessions to the borrower which originally would not be considered;
- The borrower is likely to file for bankruptcy or undergo other financial restructuring; or
- The active market for the financial asset has disappeared due to financial difficulties.

The loss allowance for financial assets measured at amortized cost are deducted from the carrying amount of the assets. The loss allowance for debt instruments measured at fair value through other comprehensive income is adjusted for profit/loss and recognized in other comprehensive income (without reducing the carrying amount of the assets).

When the Consolidated Company cannot reasonably expect the recovery of financial assets in whole or in part, it will directly reduce the total carrying amount of its financial assets. For a corporate account, the Consolidated Company analyzes the timing and amount for write-off separately on the basis of whether recovery is reasonably expected. The Consolidated Company expects that the written-off amount will not be reversed significantly, but the written-off financial assets can still be subject to enforcement to comply with the procedures for the Consolidated Company to recover overdue amounts. Based on its experience, it is impossible to recover any overdue amount from a corporate account after 271 days.

(5) Derecognition of financial assets

The Consolidated Company derecognizes a financial asset only when the contractual rights on cash flows from the asset are terminated, or when the asset has been transferred and substantially all of the risks and returns of ownership of the asset have been transferred to other companies, or when substantially all of the risks and returns of ownership of the asset are not transferred or retained and control over the asset is not retained.

Any transaction entered into by the Consolidated Company to transfer financial assets will continue to be recognized in the balance sheet if all or most of the risks and returns of the ownership of the transferred assets are retained.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The debt and equity instruments issued by the Consolidated Company are classified as financial liabilities or equity according to the substance of the contract and the definitions of financial liabilities and equity instruments.

(2) Equity transactions

An equity instrument refers to any contract that represents the Consolidated Company's remaining equity after deducting all liabilities from the asset. Equity instruments issued by the Consolidated Company are recognized at the amount of the proceeds received less the direct cost of issuance.

(3) Treasury stocks

When repurchasing its recognized equity instruments, the Consolidated Company recognizes the consideration paid (including directly attributable costs) as a decrease in equity. The repurchased shares are classified as treasury stocks. For any subsequent sale or reissuance of treasury stocks, the amount received is recognized as an increase in equity, and any surplus or loss arising from the transaction is recognized as capital reserves or retained earnings (if capital reserves are insufficient for offsetting).

(4) Compound financial instruments

A compound financial instrument issued by the Consolidated Company is any convertible corporate bond (denominated in NTD) that its holder may opt to convert into share capital, and the number of issued shares will not vary with changes in their fair value.

The initially recognized amount of the liability component of a compound financial instrument is measured at the fair value of similar liability that does not include the right to convert equity. The initially recognized amount of the equity component of the instrument is measured at the difference between its overall fair value and the fair value of the liability component. Any directly attributable transaction cost is amortized to the liability and equity components in proportion to the initial carrying amount of liabilities and equity.

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured after initial recognition.

Interest related to financial liabilities is recognized in profit/loss. The conversion of financial liabilities reclassified as equity upon conversion is not recognized in profit/loss.

(5) Financial liabilities

A financial liability is measured at amortized cost or at fair value through profit/loss. If a financial liability is held for transaction, a derivative or designated at the time of initial recognition, it is classified as measured at fair value through profit/loss. Financial liabilities measured at fair value through profit/loss are measured at fair value, and their related net profits and losses, including any interest expense, are recognized in profit/loss.

Other financial liabilities are measured at amortized cost using the effective interest method. Interest expense and exchange profit/loss are recognized in profit/loss. Any profit or loss at the time of derecognition is recognized in profit/loss.

(6) Derecognition of financial liabilities

The Consolidated Company derecognizes financial liabilities when the contractual obligations have been fulfilled or canceled or have expired. When the terms of a financial liability are amended and there is a significant difference in the cash flow of the liability after amendment, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the amended terms.

For the derecognition of a financial liability, the difference between its carrying amount and the total consideration paid or payable (including any non-cash asset transferred or any liability assumed) is recognized in profit/loss.

(7) Offsetting of financial assets against liabilities

Financial assets and financial liabilities may offset against each other and have their net amounts presented in the balance sheet only when the Consolidated Company has a legally enforceable right to offset them against each other and has an intention to settle in their net amounts or to realize assets and settle liabilities at the same time.

(VIII) Service concession arrangements

1. Recognition and measurement

Where the Consolidated Company (operator) and a government agency (grantor) enter into a concession arrangement on privately managed public services that meets the following criteria, it will be treated in accordance with IFRIC 12 "Service Concession Arrangements":

(a) The grantor controls or regulates what services the operator must provide using the infrastructure, and to whom and at what price such services are provided;
(b) The grantor controls any significant residual interest in the infrastructure at the end of the term of the service arrangement through ownership, beneficiary rights or other forms.

For construction or upgrade services provided by the Consolidated Company, the received or receivable consideration must be recognized as financial assets or intangible assets at fair value. The Consolidated Company has an unconditional contractual right to receive cash or another financial asset from the grantor or as instructed by the grantor for construction services, and recognizes such right as a financial asset. For the accounting policy of financial assets, see Note 4(7) "Financial instruments." The Consolidated Company acquires a right (license) to charge the users of public services, and recognizes such right as an intangible asset. The right to charge the users of public services is not an unconditional right to receive cash, because the amount receivable is contingent on the extent to which the public uses the services. For the accounting policy of intangible assets (concessions), see Note 4(12) "Intangible assets."

If the payment received by the Consolidated Company for providing construction services is partly a financial asset and partly an intangible asset, the components of the respective consideration must be treated separately. The two components of the consideration received or receivable must be recognized at the fair value of the consideration received or receivable at the time of initial recognition.

2. Construction or upgrading service

For the treatment by the Consolidated Company of the revenue and cost related to construction or upgrading services in accordance with IFRS 15, see Note 4(15) "Recognition of revenue."

3. Operating service

For the treatment by the Consolidated Company of the revenue and cost related to operating services in accordance with IFRS 15, see Note 4(15) "Recognition of revenue."

(IX) Investments in associates

An associate is a company whose financial and operating policies are significantly influenced by the Consolidated Company, but which is not under the latter's control or joint control.

The Consolidated Company's interests in an associate are accounted for using the equity method. Under the equity method, they are initially recognized at cost, and the investment cost includes the cost of transaction. The carrying amount of any investment in an associate includes the goodwill identified at the time of initial investment, less any accumulated impairment loss.

The consolidated financial report includes the amount of the profit/loss and other comprehensive income of each investee associate recognized by the Consolidated Company in proportion to equity after making adjustments consistent with the Consolidated Company's accounting policies from the date of occurrence of its significant influence to the date of loss of its significant influence. Where any change in equity other than profit/loss and other comprehensive income occurs to an associate and where that change does not affect the Consolidated Company's shareholding, the Consolidated Company recognizes the change in equity attributable to the share of the associate it is entitled to as capital reserves in proportion to its shareholding.

The unrealized profits and losses arising from transactions between the Consolidated Company and an associate are recognized in the financial statements of the companies only within the scope of the investor's equity in the associate.

Where the Consolidated Company's share of the losses of an associate, which must be recognized proportionally, equals or exceeds its interests in the associate, the Consolidated Company will discontinue recognizing its losses. It will recognize additional losses and liabilities only to the extent it has incurred legal or constructive obligations or made payments on behalf of the investee company.

(X) Property, plant and equipment

1. Recognition and measurement

Property, plant and equipment are measured at cost (including capitalized borrowing cost) less accumulated depreciation and any accumulated impairment.

Material components of property, plant and equipment that have different useful lives are treated as a separate item (a main component) of property, plant and equipment.

Profits or losses on disposal of property, plant and equipment are recognized in profit/loss.

2. Subsequent costs

Subsequent expenses are capitalized only when their future economic benefits are likely to flow into the Consolidated Company.

3. Depreciation

Depreciation is calculated at the cost of an asset less its residual value and recognized in profit/loss on a straight-line basis over the estimated useful life of each component.

Land is not accounted for in depreciation.

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

Premises and buildings	30 years
Transportation equipment	2–6 years
Machine equipment	2-10 years
Other equipment	3-20 years

On each reporting date, the Consolidated Company reviews the depreciation method, useful lives and residual values, and makes appropriate adjustments if necessary.

(XI) Lease

The Consolidated Company's service concession arrangements within the scope of IFRIC 12 "Service Concession Arrangements" are not subject to lease accounting. For other arrangements, the Consolidated Company assesses whether the contract constitutes or includes a lease on the date of establishment of the contract. If the contract transfers control over the use of identified assets for a period of time in exchange for a consideration, the contract constitutes or includes a lease.

1. Lessee

The Consolidated Company recognizes right-of-use assets and lease liabilities on the lease commencement date. Right-of-use assets are initially measured at cost, which includes the amount of initial measurement of lease liabilities, adjusting any lease payment made on or before the lease commencement date, plus the initial direct cost incurred and the estimated cost for dismantling and removing the underlying asset and restoring their location or the underlying asset, and less any lease incentives received.

Right-of-use assets are subsequently accounted for in depreciation on a straight-line basis over the period from the lease commencement date to the earlier of the date of expiration of the useful life or the lease term. In addition, the Consolidated Company regularly assesses whether the right-of-use assets are impaired and deals with any impairment loss that has occurred, and adjusts the right-of-use assets if lease liabilities are remeasured.

Lease liabilities are initially measured at the present value of lease payments not yet made on the lease commencement date. If the interest rate implicit in a lease can be readily determined, the interest rate will be the discount rate. Where such interest rate cannot be readily determined, the Consolidated Company's incremental borrowing rate is used. In general, the Consolidated Company uses its incremental borrowing rate as the discount rate.

The following lease payments are included in the measurement of lease liabilities:

(1) Fixed payments, including substantive fixed payments;

(2) For variable lease payments contingent on a certain index or rate, the index or rate on the lease commencement date is used for the initial measurement;

(3) The guaranteed amount of residual value expected to be paid; and

(4) The exercise price or the penalty payable when the purchase option or lease termination option is reasonably determined to be exercised.

Interest on lease liabilities is subsequently calculated using the effective interest method, and its amount is remeasured under any of the following circumstances:

(1) A change in the index or rate used to determine lease payments has resulted in a change in future lease payments;

(2) There is a change in the guaranteed amount of residual value expected to be paid;

(3) There is a change in the assessment of the purchase option for the underlying asset;

(4) There is a change in the estimation of whether to extend or terminate the option, and the assessment of the lease term is changed;

(5) Any amendment to the subject, scope or other terms of lease.

Where a lease liability is remeasured due to any change in the aforementioned index or rate used to determine lease payments, any change in the guaranteed amount of residual value, and any change in the assessment of the purchase, extension or termination of an option, the carrying amount of right-of-use assets is adjusted accordingly, and the remaining remeasured amount is recognized in profit/loss when the carrying amount of right-of-use assets is reduced to zero.

For a lease modification that reduces the scope of lease, the carrying amount of right-of-use assets is reduced to reflect the partial or full termination of lease, and its difference with the remeasured amount of lease liabilities is recognized in profit/loss.

The Consolidated Company presents right-of-use assets and lease liabilities that do not meet the definition of investment property as single-line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, the Consolidated Company opts not to recognize right-of-use assets and lease liabilities, but to recognize the related lease payments as expenses on a straight-line basis over the lease term.

2. Lessor

For any transaction where the Consolidated Company is the lessor, the lease contract is classified according to whether it transfers substantially all the risks and returns incident to the ownership of the underlying asset. If yes, it is classified as a finance lease; otherwise it is classified as an operating lease. During the assessment, the Consolidated Company considers specific related indicators, including whether the lease term covers the main part of the economic life of the underlying asset.

If the Consolidated Company is the sublessor, the primary lease and sublease transactions are treated separately, and the right-of-use assets generated from the primary lease are used to assess the classification of the sublease transaction. Where the primary lease is a short-term lease to which the recognition exemption applies, the sublease transaction is classified as an operating lease.

If the contract includes lease and non-lease components, the Consolidated Company uses IFRS 15 to allocate the consideration in the contract.

(XII) Intangible assets

1. Recognition and measurement

Goodwill arising from the acquisition of a subsidiary is measured at cost less accumulated impairment. For investments accounted for using the equity method, the carrying amount of goodwill is included in that of the investments, and the impairment loss of such investments is not allocated to goodwill or any asset, but as part of the carrying amount of investments accounted for using the equity method.

Other intangible assets with limited useful lives acquired by the Consolidated Company are measured at cost less the amounts of accumulated amortization and accumulated impairment.

2. Concessions

The Consolidated Company acquires a right (license) to charge the users of public services, and recognizes such right as an intangible asset. It is measured at cost upon initial recognition, and is subsequently measured at cost less accumulated amortization and accumulated impairment losses.

3. Operating rights

The identifiable intangible asset generated from the acquisition of a subsidiary is the legal right arising from the license for waste treatment companies held by the Consolidated Company. For the measurement of initial recognition, see Note 6(7).

4. Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefits of specific related assets. All other expenses are recognized in profit/loss upon incurrence, including the goodwill and brand developed internally.

5. Amortization

Except for goodwill and intangible assets with an undefined useful life, amortization is calculated at the cost of assets less the estimated residual value. From the time when an intangible asset reaches the state of availability, the useful life of a concession is recognized in profit/loss over its estimated useful life on a straight-line basis from the date of acquisition of the subsidiary until the date of termination of the concession.

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

(1) Concessions: 5-32 years

(2) Operating rights: 25 years

On each reporting date, the Consolidated Company reviews the amortization method, useful lives and residual values of intangible assets, and makes appropriate adjustments if necessary.

(XIII) Impairment of non-financial assets

On each reporting date, the Consolidated Company assesses whether there is any indication that the carrying amount of non-financial assets (except for inventories, contract assets and deferred income tax assets) may be impaired. If there is any such indication of impairment, the recoverable amount of the assets is estimated. Goodwill is regularly tested for impairment on an annual basis.

For the purpose of impairment testing, the group of assets whose cash inflow is mostly independent of that of other individual assets or asset groups is designated as the minimum identifiable asset group. The goodwill acquired in a business merger is amortized to each cash-generating unit or cash-generating unit group that is expected to benefit from the synergy of the merger.

The recoverable amount is the fair value of an individual asset or cash-generating unit less the cost of disposal or its value of use, whichever is higher. In assessing the value of use, the estimated future cash flow is discounted to the present value using a pre-tax discount rate that reflects the current market's assessment of the time value of currency and specific risks of the asset or cash-generating unit.

If the recoverable amount of an asset or cash-generating unit is less than its carrying amount, an impairment loss is recognized.

An impairment loss is immediately recognized in profit/loss. The carrying amount of the amortized goodwill of the cash-generating unit is reduced first, and then the carrying amount of each of other assets in the unit is reduced according to the share of the carrying amount of that asset in the unit.

The impairment loss of goodwill will not be reversed. Non-financial assets other than goodwill are reversed only within the carrying amount (less depreciation or amortization) of the asset determined where no impairment loss was recognized in prior years.

(XIV) Liability provision

Liability provision is recognized when the Consolidated Company has a current obligation as a result of a past event, and is very likely to require an outflow of resources with economic benefits to settle the obligation in the future, where the amount of the obligation can be reliably estimated. Liability provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of currency and specific risks of liabilities, and the amortization of the discount is recognized as an interest expense.

1. Warranty

The provision for warranty liabilities is recognized at the time of sale of goods or services. The provision is measured based on the historical warranty information and all possible outcomes weighted by the relevant probability.

2. Onerous contracts

Where the Consolidated Company expects that the inevitable cost of fulfilling a contractual obligation exceeds the economic benefits expected from the contract, the liability provision for the onerous contract is recognized. The liability provision is measured at the present value of the lower of the estimated cost of termination of the contract and the estimated net cost of continuation of the contract, and all impairment losses of assets related to the contract are recognized before the liability provision for the onerous contract is recognized.

3. Repair cost

Liability provision is recognized when the Consolidated Company has a current obligation as a result of a service concession arrangement entered into by the Consolidated Company, and is very likely to require an outflow of resources with economic benefits to settle the obligation in the future, where the amount of the obligation can be reliably estimated. Liability provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of currency and specific risks of liabilities, and the amortization of the discount is recognized as an interest expense.

(XV) Recognition of revenue

1. Revenue from customer contracts

Revenue is measured based on the consideration expected to be received for the transfer of goods or services. The Consolidated Company recognizes revenue when the control of goods or services is transferred to the customer and the performance obligation is met. The main items of revenue of the Consolidated Company are described as follows:

(1) Engineering contracts

The Consolidated Company engages in the contracting of public projects. Since an asset is controlled by the customer at the time of construction, the revenue is gradually recognized over time based on the share of the engineering cost incurred to date in the estimated total contract cost. The contract includes a fixed consideration and a variable consideration, and the customer pays a fixed amount in accordance with the agreed schedule. A variable consideration (such as a subsidy for price adjustment) is estimated at the expected value based on past experience. If the amount of recognized revenue has yet to be reimbursed, it is recognized as a contract asset. If the Consolidated Company has an unconditional right to the consideration, the contract asset is transferred to accounts receivable.

If the degree of completion of the performance obligation under an engineering contract cannot be reasonably measured, the contract revenue is recognized only within the scope of the expected recoverable cost.

Where the Consolidated Company expects that the inevitable cost of fulfilling the obligations of an engineering contract exceeds the economic benefits expected from the contract, the liability provision for the onerous contract is recognized.

If there is any change in the situation, the estimates of revenue, cost and degree of completion will be revised, and any resulting change of increase or decrease will be reflected in profit/loss during the period in which the management is aware of such change.

The Consolidated Company provides standard warranty for a contracted project that is consistent with the agreed specifications, and has recognized liability provision of warranty for the obligation.

(2) Outsourced operator contracts

The Consolidated Company provides services for the operation and maintenance of the sewage treatment plants of county and city governments, and the revenue is recognized based on the amount for which treatment is completed.

(3) Provision of waste treatment services

The Consolidated Company engages in the business of waste treatment, and recognizes related revenue during the financial reporting period when services are provided. For a fixed-price contract, revenue is recognized based on the point of time when the performance obligation is fulfilled for the actual services provided as of the reporting date.

(4) Sale of recycled aggregates

The Consolidated Company recognizes revenue at the time when control of recycled aggregates is transferred. The transfer of control of the product means that the product has been delivered to the customer, and the customer has the sole discretion to determine the sales price of the product, without any outstanding obligation that will affect the customer’s acceptance of the product. Delivery occurs when the product is transported to a specific location and its risk has been transferred to the customer, and the customer has accepted the product according to the sales contract, or when the terms of acceptance have become invalid, or when the Consolidated Company has objective evidence that all conditions for acceptance have been met.

The Consolidated Company recognizes the accounts receivable at the time of delivery of goods because the Consolidated Company has an unconditional right to receive consideration at that time.

(5) Revenue from electricity sales

The performance obligation for electricity sales has been fulfilled over time, and the revenue is recognized based on the actual kWh and rate of electricity sold.

2. Cost of performing a contract

If the cost incurred for performing a customer contract is not within the scope of other standards (IAS 2 “Inventory,” IAS 16 “Property, Plant and Equipment,” or IAS 38 “Intangible Assets”), the Consolidated Company will recognize the cost as an asset only if it is directly related to the contract or an identifiable expected contract, will generate or strengthen resources that will be used to meet (or continue to meet) the performance obligation in the future, and is expected to be recoverable.

General and administrative costs, the costs of raw materials, labor or other resources wasted to perform the contract but not reflected in the contract price, the costs associated with fulfilled (or partially fulfilled) performance obligations, and the costs which cannot be classified as related to unfulfilled or fulfilled (or partially fulfilled) performance obligations are recognized as expenses when incurred.

(XVI) Employee benefits

1. Defined contribution plan

The contribution obligation of a defined contribution plan is recognized as an expense within the period when the employee provides services.

2. Short-term employee benefits

The obligations of short-term employee benefits are recognized as expenses at the time of provision of services. Where the Consolidated Company has a current legal or constructive payment obligation due to past services provided by an employee and such obligation can be reliably estimated, its amount is recognized as a liability.

(XVII) Share-based payment transactions

For a share-based payment agreement for equity settlement, an expense is recognized with an increase in relative equity during the vesting period of the reward based on the fair value on the grant date. The recognized expense is adjusted according to the amount of reward expected to meet the service conditions and non-market-price vesting conditions. The ultimately recognized amount is measured based on the amount of reward meeting the service conditions and non-market-price vesting conditions on the vesting date.

The non-vesting conditions for a share-based payment reward are reflected in the measurement of the fair value of the share-based payment on the grant date, and the difference between the expected and actual results is not required to be verified and adjusted.

For the amount of the fair value of the stock appreciation rights payable to an employee for cash settlement, an expense is recognized with an increase in relative liabilities during the period when the employee may unconditionally receive rewards. The liability is remeasured at the fair value of the share appreciation rights on each reporting date and settlement date, with any change to it recognized in profit/loss.

(XVIII) Income tax

Income taxes include current and deferred income taxes. Except for those related to business merger or recognized directly in equity or other comprehensive income, current and deferred income taxes must be recognized in profit/loss.

The Consolidated Company determines that the interest or penalty related to income tax (including uncertain tax treatment) does not meet the definition of income tax, and it is therefore subject to the accounting treatment under IAS 37.

The current income tax includes the expected income tax payable or tax refund receivable calculated based on the taxable income (loss) of the current year, as well as any adjustment to the income tax payable or tax refund receivable in prior years. Its amount reflects the uncertainty related to income tax (if any), and is the best estimate of the expected amount payable or receivable at the statutory tax rate or substantively enacted tax rate on the reporting date.

Deferred income tax is measured and recognized based on any temporary difference between the carrying amount of assets and liabilities and their tax bases on the reporting date. Any temporary difference arising from any of the following circumstances will not be recognized for deferred income tax:

1. Assets or liabilities initially recognized in any transaction not constituting a business merger, to the extent that they (i) do not affect the accounting profit and taxable income (loss), and (ii) do not give rise to any equivalent taxable and deductible temporary difference at the time of transaction;
2. Any temporary difference arising from investments in the equity of a subsidiary, an associate or a joint venture, where the Consolidated Company is able to control the timing of reversal of the temporary difference, and the temporary difference is unlikely to be reversed in the foreseeable future; and
3. Any taxable temporary difference arising from the initial recognition of goodwill.

The carry-forward of unused taxable losses and unused income tax credits, as well as deductible temporary differences, are recognized as deferred income tax assets to the extent where there is likely to be taxable income available for use in the future. On each reporting date, such assets are reassessed and reduced to the extent the related income tax profits are unlikely to be realized, or the originally reduced amount is reversed to the extent where there is likely to be sufficient taxable income.

Deferred income tax is measured at the tax rate at the time when the temporary difference is expected to be reversed, using the statutory tax rate or substantively enacted tax rate on the reporting date, and has reflected the uncertainty related to income tax (if any).

The Consolidated Company will offset deferred income tax assets against deferred income tax liabilities only when all of the following criteria are met:

1. The Consolidated Company has a legal right of enforcement to offset current income tax assets against current income tax liabilities; and
2. Deferred income tax assets and deferred income tax liabilities are related to any of the following taxable entities on whom income tax is levied by the same tax authority:
   (1) The same taxable entity; or
   (2) Different taxable entities, provided that each of the entities intends to settle current income tax liabilities and assets on a net basis, or to realize assets and settle liabilities simultaneously, during each future period when significant amounts of deferred income tax assets are expected to be recovered and deferred income tax liabilities are expected to be settled.

The Consolidated Company adopts the accounting treatment for filing of a consolidated income tax return under a consolidated tax return system, but income tax is still calculated in accordance with the aforementioned principles.

(XIX) Earnings per share

The Consolidated Company lists the basic and diluted earnings per share (EPS) attributable to the holders of the Company’s common share equity. The Consolidated Company’s basic EPS is calculated by dividing the profit/loss attributable to the holders of the Company’s common share equity by the weighted average number of outstanding common shares for the period. Diluted EPS is calculated by adjusting the effects of all potential diluted common shares for the profit/loss attributable to the holders of the Company’s common share equity and the weighted average number of outstanding common shares, respectively. The Consolidated Company’s potential diluted common shares include convertible corporate bonds and employee stock options.

(XX) Segment information

The operating segment is a component of the Consolidated Company engaging in operating activities that may earn revenue and incur expenses (including revenue and expenses related to transactions between other components of the Consolidated Company). The operating results of all operating segments are regularly reviewed by the chief operating decision-maker of the Consolidated Company to make decisions on the allocation of resources to each segment and evaluate its performance. Each operating segment has its own financial information.

V. Main sources of uncertainty of material accounting judgments, estimates and assumptions

In preparing this consolidated financial report in accordance with the Regulations and FSC-approved IFRSs, the management is required to make judgments, estimates and assumptions that will affect the adoption of accounting policies and the reported amounts of assets, liabilities, profits and expenses. The actual results could differ from the estimates.

The management continues to review the estimates and basic assumptions, and changes in accounting estimates are recognized over the period of change and the future period affected.

The following is the information on accounting policies that involves material judgments and has a material effect on the amounts recognized in this consolidated financial report:

(I) The classifications of receivables and intangible assets under service concession arrangements, in Notes 6(7) and 6(8)

In accordance with a service concession arrangement, the Consolidated Company determines whether the terms of the arrangement comply with the requirements of IFRIC 12 on the unconditional right to receive cash or other financial assets from the grantor or as instructed by the grantor to distinguish between the classifications of receivables and intangible assets.

The uncertainty of the following assumptions and estimates has a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next financial year. The relevant information is as follows:

(II) Engineering contracts and onerous contracts

The primary business of the Consolidated Company arises from the signing of construction contracts with customers to provide certain designs, techniques, and functions or ultimate purposes or uses that are closely related or interdependent. The contract revenue is recognized over time with reference to the degree of completion of the construction contract. The degree of completion is measured based on the share of the contract cost incurred to date for the completed portion in the estimated total contract cost. The Consolidated Company estimates the total contract cost by considering the nature, expected duration, scope, construction process, method, and estimated contracting amount of each project. Any change in the aforementioned estimation basis may result in a significant adjustment to the estimated amount.

(III) Assessment of impairment of property, plant and equipment and intangible assets

During the process of assessing asset impairment, the Consolidated Company must rely on subjective judgments to determine the independent cash flows, useful lives of assets, and possible future profits, expenses and losses of specific asset groups based on the model of asset use and the characteristics of the industry. Any change in estimates caused by a changing economic condition or the Company’s strategy is likely to result in significant impairment or reversal of the recognized impairment loss in the future. For a description of the key assumptions used in the recoverable amount, see Notes 6(6) and 6(7).

[Evaluation process]

The accounting policies and disclosures of the Consolidated Company include the use of fair value to measure its financial and non-financial assets and liabilities. The financial department is responsible for reviewing all significant fair value measurements (including Level 3 fair value) and reports directly to the chief financial officer. The financial department regularly reviews the significant unobservable inputs and adjustments. If any input for fair value measurement uses external third-party information (such as external experts), the financial department will assess the evidence provided by external experts to support the input to determine whether the evaluation and the classification of its fair value level meet the requirements of IFRSs.

In measuring its assets and liabilities, the Consolidated Company uses market observable inputs as much as possible. The levels of fair value are classified as follows based on the inputs used in the evaluation technique:

- Level 1: The open quoted price of identical assets or liabilities in an active market (unadjusted).
- Level 2: Except for the open quoted price included in Level 1, the input parameter of assets or liabilities are directly (i.e., price) or indirectly (i.e., derived from price) observable.
- Level 3: The input parameters of assets or liabilities are not based on observable market data (non-observable parameters).

[Policy for transfer between different levels]

If any event or situation of a transfer between the fair value levels occurs, the Consolidated Company will recognize the transfer on the reporting date.

[Further information of assumptions adopted for fair value measurement]

For information on the assumptions adopted for fair value measurement, see Note 6(19) “Financial instruments.”

VI. Description of major accounting titles

(I) Cash and cash equivalents

	2023.12.31	2022.12.31
Petty cash	$ 8,150	8,838
Demand deposits	1,668,100	1,230,746
Check deposits	64,264	123,014
Time deposits	50,000	-
Cash and cash equivalents listed in the consolidated statement of cash flows	$ 1,790,514	1,362,598

For disclosures on the interest rate risks and sensitivity analysis of the financial assets and liabilities of the Consolidated Company, see Note 6(19).

(II) Financial assets and liabilities measured at fair value through profit/loss

	2023.12.31	2022.12.31
Financial assets measured at fair value through profit/loss on a mandatory basis:		
Non-derivative financial assets		
Beneficiary certificates – open-end funds (current)	$ 263,559	301,762
Stocks of public companies (current)	12,738	10,963
Total	$ 276,297	312,725
Financial liabilities measured at fair value through profit/loss on a mandatory basis:		
Rights of redemption and put for convertible corporate bonds	$ 4,590	16,200

1. For the remeasurement by the Consolidated Company of the amount recognized in profit/loss at fair value, see Note 6(18).
2. The Consolidated Company has disclosed the information on credit risk and fair value related to financial instruments in Note 6(19).
3. As of December 31, 2023 and 2022, none of the Consolidated Company's financial assets measured at fair value through profit/loss has been provided as collateral for pledge.

(III) Financial assets measured at fair value through other comprehensive income

	2023.12.31	2022.12.31
Equity instruments measured at fair value through other comprehensive income:		
Domestic emerging stocks – Tien Li Offshore Wind Technology Co., Ltd.	$ 63,155	42,995
Non-listed stocks – Yung Fu Co., Ltd.	10,393	12,502
Non-listed stocks – Asia Renewable Energy (Cayman) Ltd.	38,581	43,968
Non-listed stocks – Taiya Renewable Energy Co., Ltd.	60,660	-
Total	$ 172,789	99,465

1. Investments in equity instruments measured at fair value through other comprehensive income

   The investments in the equity instruments are held by the Consolidated Company as long-term strategic investments not for the purpose of transaction, and therefore have been designated to be measured at fair value through other comprehensive income.

2. For information on market risks, see Note 6(19).
3. None of the financial assets above has been provided as collateral for pledge.

(IV) Notes and accounts receivable

	2023.12.31	2022.12.31
Notes receivable – arising from operations	$ -	4,888
Accounts receivable – measured at amortized cost	1,579,650	1,468,080
Less: Loss allowance	-	-
	$ 1,579,650	1,472,968

1. The Consolidated Company estimates the expected credit losses of all notes and accounts receivable in a simplified manner, i.e., using the full lifetime expected credit losses for measurement. For this purpose, such notes and accounts receivable are categorized based on the common credit risk characteristics of the ability to pay all amounts due under the contractual terms on behalf of the customer, and have included the prospective information.
   (1) The expected credit losses of the notes and accounts receivable of government agencies are analyzed by the Consolidated Company as follows:

	2023.12.31		
Interval of account age	**Carrying amount of accounts receivable**	**Weighted average rate of expected credit loss**	**Provision for full lifetime expected credit loss**
Not past due	$ 1,072,481	-	-

	2022.12.31		
Interval of account age	**Carrying amount of accounts receivable**	**Weighted average rate of expected credit loss**	**Provision for full lifetime expected credit loss**
Not past due	$ 1,147,877	-	-

(2) The expected credit losses of the notes and accounts receivable of other customers are analyzed by the Consolidated Company as follows:

	2023.12.31		
Interval of account age	**Carrying amount of accounts receivable**	**Weighted average rate of expected credit loss**	**Provision for full lifetime expected credit loss**
Not past due	$ 59,450	-	-

	2022.12.31		
Interval of account age	**Carrying amount of accounts receivable**	**Weighted average rate of expected credit loss**	**Provision for full lifetime expected credit loss**
Not past due	$ 49,543	-	-

(3) The Consolidated Company's notes and accounts receivable that have undergone the process of mediation or have performance disputes are detailed as follows:

	2023.12.31	2022.12.31
Disputed amount	$ 538,750	367,079
Less: Expected loss (Note)	(91,031)	(91,531)
Total	$ 447,719	275,548

Note: The possible losses are assessed based on the mediation or performance disputes of each project, and are treated as changes in the estimated value of contract prices and recognized as a deduction of operating revenue. See Note 9 for details.

2. In 2023 and 2022, no expected credit losses or their reversals were set aside.
3. As of December 31, 2023 and 2022, none of the Consolidated Company's notes and accounts receivable have been provided as collateral.

(V) Subsidiaries with material non-controlling interests

The following are the non-controlling interests of subsidiaries that are material to the Consolidated Company:

Name of subsidiary	Principal place of business/Country of registration of the company	Share of the equity ownership and voting rights of non-controlling interests	
		2023.12.31	2022.12.31
Green Forest Development Enterprise Co., Ltd.	Taiwan	30.00%	30.00%
Eastern Forest Environmental Technology Co., Ltd.	Taiwan	30.00%	30.00%
Grain Forest Green Energy Co., Ltd.	Taiwan	30.00%	30.00%
Re-use Environmental Co., Ltd.	Taiwan	49.59%	49.59%
Top Forest Water Co., Ltd.	Taiwan	30.00%	- %

The following is the summarized financial information of the subsidiaries mentioned above. Such financial information has been prepared in accordance with the FSC-approved IFRSs and has reflected the adjustments made by the Consolidated Company to the differences in accounting policies, and it is based on the amounts before write-off in transactions with the Consolidated Company:

1. Summarized financial information of Green Forest Development Enterprise Co., Ltd.:

	2023.12.31	2022.12.31
Current assets	$ 808,729	647,747
Non-current assets	3,743,368	3,875,333
Current liabilities	(198,736)	(143,002)
Non-current liabilities	(275,921)	(286,299)
Net assets	$ 4,077,440	4,093,779
Carrying amount of non-controlling interests at end of the period	$ 1,223,232	1,228,134

Notes to the Consolidated Financial Report of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries (continued)

		2023	2022
Operating revenue	$	657,203	678,018
Net profit for the period		295,666	316,360
Other comprehensive income		-	-
Total comprehensive income	$	295,666	316,360
Net profit for the period attributable to non-controlling interests	$	88,700	94,908
Total comprehensive income attributable to non-controlling interests	$	88,700	94,908
Cash flows from operating activities	$	394,946	253,213
Cash flows from investing activities		(90)	-
Cash flows from financing activities		(312,005)	(233,275)
Increase in cash and cash equivalents	$	82,851	19,938
Dividends paid to non-controlling interests	$	93,602	69,982

2. Summarized financial information of Eastern Forest Environmental Technology Co., Ltd.:

		2023.12.31	2022.12.31
Current assets	$	14,550	15,730
Non-current assets		4,000	10,637
Current liabilities		(130)	(133)
Non-controlling interests		-	(1,061)
Net assets	$	18,420	25,173
Carrying amount of non-controlling interests at end of the period	$	5,526	8,612

		2023	2022
Operating revenue	$	-	5,300
Net loss for the period		(7,066)	(1,018)
Other comprehensive income		352	64
Total comprehensive income	$	(6,714)	(954)
Net loss for the period attributable to non-controlling interests	$	(2,096)	(659)
Total comprehensive income attributable to non-controlling interests	$	(1,986)	(626)
Cash flows from operating activities	$	10,213	(1,915)
Cash flows from financing activities		(1,100)	64
Effect of exchange rate		352	-
Increase (Decrease) in cash and cash equivalents	$	9,465	(1,851)

3. Summarized financial information of Grain Forest Green Energy Co., Ltd.:

	2023.12.31	2022.12.31
Current assets	$ 63,711	65,721
Non-current assets	459,830	481,045
Current liabilities	(17,499)	(16,393)
Non-current liabilities	(280,373)	(291,537)
Net assets	$ 225,669	238,836
Carrying amount of non-controlling interests at end of the period	$ 67,701	71,651

	2023	2022
Operating revenue	$ 44,073	40,485
Net loss for the period	(13,167)	(24,450)
Other comprehensive income	-	-
Total comprehensive income	$ (13,167)	(24,450)
Net loss for the period attributable to non-controlling interests	$ (3,950)	(7,335)
Total comprehensive income attributable to non-controlling interests	$ (3,950)	(7,335)
Cash flows from operating activities	$ (569)	(21,461)
Cash flows from investing activities	6,258	25,321
Cash flows from financing activities	(11,000)	(3,000)
Increase (Decrease) in cash and cash equivalents	$ (5,311)	860

4. Summarized financial information of Re-use Environmental Co., Ltd.:

	2023.12.31	2022.12.31
Current assets	$ 294,128	271,303
Non-current assets	507,207	463,700
Current liabilities	(105,603)	(65,432)
Non-current liabilities	(10,261)	(10,805)
Net assets	$ 685,471	658,766
Carrying amount of non-controlling interests at end of the period	$ 339,941	326,698

	2023	2022
Operating revenue	$ 324,750	194,189
Net profit for the period	84,574	36,500
Other comprehensive income	(2,109)	460
Total comprehensive income	$ 82,465	36,960
Net profit for the period attributable to non-controlling interests	$ 41,942	18,101
Total comprehensive income attributable to non-controlling interests	$ 40,896	18,329

Notes to the Consolidated Financial Report of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries (continued)

		2023	2022
Cash flows from operating activities	$	134,295	110,046
Cash flows from investing activities		(73,931)	(2,608)
Cash flows from financing activities		(56,644)	(85,790)
Increase in cash and cash equivalents	**$**	**3,720**	**21,648**
Dividends paid to non-controlling interests	**$**	**27,653**	**42,154**

5. Summarized financial information of Top Forest Water Co., Ltd.:

		2023.12.31
Current assets	$	100,118
Non-current assets		100,000
Current liabilities		(101,313)
Net assets	**$**	**98,805**
Carrying amount of non-controlling interests at end of the period	**$**	**29,641**

		2023
Operating revenue	**$**	**-**
Net loss for the period	$	(1,195)
Other comprehensive income		-
Total comprehensive income	**$**	**(1,195)**
Net loss for the period attributable to non-controlling interests	**$**	**(359)**
Total comprehensive income attributable to non-controlling interests	**$**	**(359)**
Cash flows from operating activities	$	24
Cash flows from investing activities		(100,000)
Cash flows from financing activities		200,000
Increase in cash and cash equivalents	**$**	**100,024**

(VI) Property, plant and equipment

The changes in the cost, depreciation and impairment loss of the Consolidated Company's property, plant and equipment in 2023 and 2022 are detailed as follows:

		Land	Premises and buildings	Transportation equipment	Other equipment	Uncompleted projects	Total
Cost or recognized cost:							
Balance as of January 1, 2023	$	456,838	95,439	36,121	259,383	3,410	851,191
Addition		-	-	1,334	19,275	59,872	80,481
Disposal		-	-	(57)	(11,295)	-	(11,352)
Reclassification		-	1,437	-	-	(1,272)	165
Balance as of December 31, 2023	$	456,838	96,876	37,398	267,363	62,010	920,485
Balance as of January 1, 2022	$	456,838	95,439	35,066	226,877	-	814,220
Addition		-	-	938	33,303	9,885	44,126
Disposal		-	-	(871)	(6,284)	-	(7,155)
Reclassification		-	-	988	5,487	(6,475)	-
Balance as of December 31, 2022	$	456,838	95,439	36,121	259,383	3,410	851,191
Depreciation and impairment loss:							
Balance as of January 1, 2023	$	-	48,411	25,104	150,351	-	223,866
Depreciation in the year		-	1,550	3,518	27,329	-	32,397
Impairment loss		-	-	-	3,091	-	3,091
Disposal		-	-	(56)	(10,771)	-	(10,827)
Balance as of December 31, 2023	$	-	49,961	28,566	170,000	-	248,527
Balance as of January 1, 2022	$	-	47,011	21,765	127,807	-	196,583
Depreciation in the year		-	1,310	3,995	27,399	-	32,704
Disposal		-	-	(730)	(4,691)	-	(5,421)
Reclassification		-	90	74	(164)	-	-
Balance as of December 31, 2022	$	-	48,411	25,104	150,351	-	223,866
Carrying value:							
December 31, 2023	$	456,838	46,915	8,832	97,363	62,010	671,958
January 1, 2022	$	456,838	48,428	13,301	99,070	-	617,637
December 31, 2022	$	456,838	47,028	11,017	109,032	3,410	627,325

1. As of December 31, 2023 and 2022, the outstanding payments amounted to NTD 59,000 thousand, and were accounted for as other payables.
2. Impairment loss and subsequent reversal

In 2023, the subsidiary Eastern Forest Environmental Technology Co., Ltd. was affected by the economic environment, and its operating performance fell short of expectations, resulting in losses. The subsidiary conducted an assessment of impairment of non-financial assets to test the fair value of property, plant and equipment less the disposal cost as the basis for calculation of the recoverable amount. After the assessment, the estimated recoverable amount was less than the carrying amount, so an impairment loss of NTD 3,091 thousand was recognized and accounted for in other profits and losses.

3. Collateral

For the provision of the above assets as collateral for financing facilities as of December 31, 2023 and 2022, see Note 8.

(VII) Intangible assets

The changes in the cost, amortization and impairment loss of the Consolidated Company's intangible assets in 2023 and 2022 are detailed as follows:

	Concessions	Operating rights	Computer software, etc.	Goodwill	Total
Cost:					
Balance as of January 1, 2023	$ 2,688,406	504,237	738	30,822	3,224,203
Acquisition	2,114	-	-	-	2,114
Transfer in	38,918	-	-	-	38,918
Disposal	(41)	-	-	-	(41)
Balance as of December 31, 2023	$ 2,729,397	504,237	738	30,822	3,265,194
Balance as of January 1, 2022	$ 2,654,956	504,237	9,145	30,822	3,199,160
Acquisition	1,022	-	-	-	1,022
Transfer in	32,428	-	-	-	32,428
Disposal	-	-	(8,407)	-	(8,407)
Balance as of December 31, 2022	$ 2,688,406	504,237	738	30,822	3,224,203
Amortization and impairment loss:					
Balance as of January 1, 2023	$ 802,180	100,848	738	26,668	930,434
Amortization in the period	127,272	20,169	-	-	147,441
Reversal of impairment loss	(11,281)	-	-	-	(11,281)
Disposal	(36)	-	-	-	(36)
Balance as of December 31, 2023	$ 918,135	121,017	738	26,668	1,066,558
Balance as of January 1, 2022	$ 652,029	75,700	9,145	26,668	763,542
Amortization in the period	128,151	25,148	-	-	153,299
Impairment loss	22,000	-	-	-	22,000
Disposal	-	-	(8,407)	-	(8,407)
Balance as of December 31, 2022	$ 802,180	100,848	738	26,668	930,434
Carrying value:					
December 31, 2023	$ 1,811,262	383,220	-	4,154	2,198,636
January 1, 2022	$ 2,002,927	428,537	-	4,154	2,435,618
December 31, 2022	$ 1,886,226	403,389	-	4,154	2,293,769

1. Recognized amortization and impairment

The amortization expense and impairment loss of intangible assets are separately accounted for in the following items of the consolidated statement of comprehensive income:

		2023	2022
Operating cost	$	121,964	122,843
Administrative expense		25,477	30,456
Other profits and losses		(11,281)	22,000
Total	$	136,160	175,299

2. In 2023 and 2022, the Consolidated Company achieved phased completion in accordance with the service concession arrangements between it and government agencies, and transferred NTD 38,918 thousand and NTD 32,428 thousand, respectively, from the contract assets.
3. Impairment testing for goodwill

In 2022, the subsidiary – Perfection Forest Development Enterprise Co., Ltd. was affected by the economic environment, and its operating performance fell short of expectations, resulting in losses. The subsidiary conducted an assessment of impairment of non-financial assets in which the value of use of the cash-generating unit was used as the basis for calculation of the recoverable amount. The value of use is calculated using the cash flow of the financial forecast for the remaining year of the contract for addition, reconstruction, repair and operation between the subsidiary and the Industrial Development Bureau, MOEA as the basis of estimation. The value of use was calculated using the discount rate of 7.25% on December 31, 2022 to reflect the specific industrial risk of the relevant cash-generating unit. After the assessment, the estimated recoverable amount was less than the carrying amount, so an impairment loss of NTD 22,000 thousand was recognized and accounted for in other profits and losses.

The subsidiary Grain Forest Green Energy Co., Ltd. was estimated to be unable to achieve the expected benefits due to the effects of the raw material market and industrial environment on implementation of the project for ancillary facilities. Therefore, the subsidiary sent a letter to the owner, the Environmental Protection Bureau of Taichung City Government, on September 7, 2021 to reach an agreement to terminate the contract of the project for ancillary facilities. On September 22, 2023, both parties reached an agreement to terminate the contractual relationship for the ancillary facilities of the gasification system and made the following adjustments to the rights and obligations:

(1) Early return of assets

The subsidiary must complete the return of the assets of Rice Straw Storage Area 1, Rice Straw Storage Area 2 and the gasified power generation room within 90 days following the conclusion of the agreement, and the remaining rice straw gasification equipment installed with investment from the subsidiary must be disposed of by the subsidiary. On December 27, 2023, the Environmental Protection Bureau of Taichung City Government approved to extend the deadline for return of the aforementioned assets to March 5, 2024.

(2) Restrictions on self-sourced materials

For decomposition of the subsidiary's compostable food waste, the maximum amount of self-sourced materials is 9,000 metric tons per year. The Environmental Protection Bureau of Taichung City Government is responsible for decomposition of 7,200 metric tons of self-sourced materials, with the subsidiary not required to pay any fee. Decomposition for the remaining 1,800 metric tons of self-sourced materials may be conducted by the subsidiary itself or by the Environmental Protection Bureau of Taichung City Government as a contractor. Where the Environmental Protection Bureau of Taichung City Government is contracted to conduct such decomposition, the fee is NTD 500 per metric ton.

4. Additionally, due to the conclusion of the aforementioned agreement, the subsidiary assessed and reversed impairment of NTD 11,281 thousand recognized in prior years based on the fair value of NTD 70,860 thousand of the returned assets. The fair value was estimated by external experts using the cost method, and the measurement of the fair value was classified as Level 3 since it used material unobservable inputs.

The following are the key assumptions used in estimating the recoverable amount. The values of the key assumptions represent an assessment of the future trend of the relevant industry conducted by the management, while taking into account historical information from internal and external sources.

	2023.12.31
Physical depreciation	18%
Functional depreciation	4%
Economic depreciation	-

Physical depreciation: During its use, equipment is subject to damage such as wear and tear and fatigue due to the friction, impact and vibration of its parts.

Functional depreciation: A loss of asset value caused by intangible wear and tear.

Economic depreciation: The economic depreciation of machine equipment is caused by external factors. Such factors include intensified market competition and reduced product demand, leading to insufficient initial operation of equipment and relatively excessive production capacity, which shorten the normal service life of equipment.

5. Collateral

For the details of collateral provided by the Consolidated Company for long-term loans and financing facilities as of December 31, 2023 and 2022, see Note 8.

(VIII) Long-term receivables

For a service concession arrangement between the Consolidated Company and a government agency, the fair value of the consideration receivable for the construction or upgrading service provided is recognized as financial assets in accordance with IFRIC 12. According to the service concession arrangement, the Consolidated Company estimates the price receivable during the term of the arrangement and chooses an appropriate discount rate to calculate the present value of the consideration receivable. The following are the payments receivable recognized by the Consolidated Company on each reporting date due to the discount value of the consideration receivable for the service concession arrangement as of December 31, 2023 and 2022:

	2023.12.31	2022.12.31
Long-term receivables	$ 6,959,382	7,162,905
Current	$ 213,177	183,201
Non-current	6,746,205	6,979,704
Total	$ 6,959,382	7,162,905

1. On November 19, 2021, the Consolidated Company and the Kaohsiung City Government concluded a settlement agreement on a lawsuit regarding a dispute over the replacement cost. According to the agreement, the originally deducted replacement cost of NTD 1.28 per metric ton and the delay interest will be repaid in four installments, for the principal of the construction expense, amounting to NTD 371,136 thousand (including tax), and the delay interest as of July 2021, amounting to NTD 100,505 thousand (including tax). The payment schedule set forth in the settlement agreement is as follows:

Payment year	Amount for settlement
December 31, 2023	NTD 117,910 thousand
December 31, 2024	NTD 117,910 thousand
December 31, 2025	NTD 117,910 thousand
December 31, 2026	NTD 117,911 thousand

Based on the present value of a four-year annuity, the delay interest as of December

31, 2023 and 2022 was accounted for as accounts receivable and long-term receivables in the amounts of NTD 23,930 thousand, NTD 47,326 thousand, NTD 23,930 thousand and NTD 70,902 thousand, respectively. In 2023 and 2022, the interest income recognized amounted to NTD 354 thousand and NTD 290 thousand, respectively.

2. For the details of collateral provided by the Consolidated Company for long-term loans and financing facilities as of December 31, 2023 and 2022, see Note 8.

(IX) Short-term notes payable

The short-term notes payable by the Consolidated Company are detailed as follows:

	2023.12.31		
	Guaranteeing or accepting institution	Interest rate range	Amount
Commercial papers payable	Mega Bills Finance Co., Ltd.	2.43%~2.662%	$ 120,000
〃	Grand Bills Finance Corp.	2.37%	80,000
〃	Taiwan Cooperative Bills Finance Corporation	2.23%	196,000
〃	International Bills Finance Corporation	2.362%~2.600%	360,000
〃	China Bills Finance Corporation	2.312%	150,000
Total			$ 906,000

	2022.12.31		
	Guaranteeing or accepting institution	Interest rate range	Amount
Commercial papers payable	Mega Bills Finance Co., Ltd.	2.120%	$ 80,000
〃	Grand Bills Finance Corp.	2.130%	80,000
〃	Ta Ching Bills Finance Corporation	2.502%	80,000
〃	Taiwan Cooperative Bills Finance Corporation	2.100%	196,000
〃	Dah Chung Bills Finance Corp.	2.450%	150,000
〃	International Bills Finance Corporation	2.297%	300,000
〃	China Bills Finance Corporation	2.140%~2.192%	160,000
〃	Taiwan Finance Corporation	2.342%	100,000
Total			$ 1,146,000

For the assets pledged by the Consolidated Company as collateral for the aforementioned commercial papers payable, see Note 8.

(X) Short-term loans

The short-term loans borrowed by the Consolidated Company are detailed as follows:

	2023.12.31	2022.12.31
Unsecured bank loans	$ 980,000	900,000
Secured bank loans	811,168	710,000
Total	**$ 1,791,168**	**1,610,000**
Unused credit line	**$ 771,571**	**346,746**
Interest rate range	**2.21%~2.74%**	**1.45%~2.56%**

For the assets pledged by the Consolidated Company as collateral for bank loans, see Note 8.

(XI) Long-term loans

The following are the details, conditions and terms of the long-term loans borrowed by the Consolidated Company:

	2023.12.31			
	Currency	**Interest rate range**	**Date of maturity**	**Amount**
Secured bank loans	NTD	2.35%~3.59%	114~125	$ 1,804,149
Less: Service fees for syndicated loans				(4,036)
Less: Amount maturing within 1 year				(173,326)
Total				**$ 1,626,787**
Unused credit line				**$ 60,000**

	2022.12.31			
	Currency	**Interest rate range**	**Date of maturity**	**Amount**
Unsecured bank loans	NTD	1.47%~2.09%	112	$ 39,990
Secured bank loans	NTD	1.57%~3.33%	112~125	2,074,880
Less: Service fees for syndicated loans				(4,928)
Less: Amount maturing within 1 year				(310,721)
Total				**$ 1,799,221**
Unused credit line				**$ 60,000**

1. Collateral for bank loans

    For the assets pledged by the Consolidated Company as collateral for bank loans, see Note 8.

2. Material loan agreements

    (1) For the construction and operation of a sanitary sewer in Luodong, Yilan County, a subsidiary signed a syndicated loan agreement with a syndicate of eight banks (Land Bank and others), according to which the subsidiary shall maintain a certain level of financial ratios at the end of each year:

    (i) Debt-to-equity ratio (total liabilities/total equity): less than or equal to 200%.

    (ii) The times interest earned of the principal to be maintained by the subsidiary at the end of each year [(after-tax net profit + depreciation + interest expense + amortization of long-term receivables) / (principal repayable on medium-to-long-term debts for the period + interest expense)]: more than or equal to 1.

    (iii) From the date of notice by the administering bank to the day before the improvement date, additional interest will be accrued at an annual rate of 0.25% on each loan balance. If no improvement is completed within the said period, an amount of the total outstanding balance on the expiry date of the improvement period (i.e., December 31) shall be paid to the administering bank at a rate of 0.1%.

    (2) For the construction and operation of a composting plant (green energy ecological park) in Waipu, Taichung City, a subsidiary signed a loan agreement with the lending bank, according to which the subsidiary shall maintain a certain level of financial ratios at the end of each year (to be reviewed in financial statements starting from 2024):

    (i) Current ratio (current assets/current liabilities): more than or equal to 100%.

    (ii) Debt-to-equity ratio (total liabilities/total equity): less than or equal to 230%.

    (iii) The times interest earned of the principal to be maintained by the subsidiary at the end of each year [(after-tax net profit + depreciation + amortization + interest expense) / (interest expense)]: more than or equal to 1.

    (iv) From the date of notice by the bank to the day before the improvement date, additional interest will be accrued at an annual rate of 0.15% on each loan balance. If no improvement is completed within the said period, an amount of the total outstanding balance on the expiry date of the improvement period shall be paid to the bank at a rate of 0.1%.

(XII) Corporate bonds payable

The corporate bonds payable by the Consolidated Company are detailed as follows:

	2023.12.31	2022.12.31
Amount of convertible corporate bonds issued	$ 1,000,000	1,000,000
Unamortized balance of the discount of corporate bonds payable	(33,948)	(51,081)
Less: Corporate bonds maturing or puttable within 1 year or operating cycle	(866,052)	-
Less: Cumulative converted amount	(100,000)	-
Balance of corporate bonds payable at end of the period	$ -	948,919
Embedded derivatives – rights of repurchase and put (accounted for in financial liabilities measured at fair value through profit/loss)	$ 4,590	16,200
Equity component – right of conversion (accounted for in capital reserves)	$ 65,678	72,976

	2023	2022
Embedded derivatives – profit/loss on remeasurement of right of put at fair value	$ 10,910	(12,400)
(accounted for in profit (loss) on financial assets and liabilities measured at fair value through profit/loss)		
Interest expense	$ 14,554	15,687

The principal rights and obligations of the outstanding unsecured convertible corporate bonds of the Consolidated Company are as follows:

Item	2nd issue of unsecured convertible corporate bonds in 2021
Total amount issued	NTD 1,000,000 thousand
Date of issue	110.9.28
Period of issue	110.9.28~115.9.28
Coupon rate	0%
Trustee	Mega Securities Co., Ltd.
Method of repayment	Except for an application by a holder of the bonds for converting them into the Company's common shares in accordance with the Company's conversion requirements, or the early redemption of the bonds by the Company in accordance with the conversion requirements, or the repurchase of the bonds by the Company from a securities issuer, the Company will repay the bonds in cash at their par value plus an interest compensation (101.26% of their par value) upon their maturity.
Requirements for	From the date following the expiration of three months after the issue

Item	2nd issue of unsecured convertible corporate bonds in 2021
redemption	of the convertible bonds (December 29, 2021) to the date 40 days prior to the expiration of the issue period (August 19, 2026), if the closing price of the Company's common shares exceeds the current conversion price by at least 30% for 30 consecutive business days, or if the outstanding balance of the convertible bonds is less than 10% of the total amount originally issued, the Company is entitled to early redemption of the bonds.
Requirements for a creditor's request for redemption	A holder of the bonds may, on the date of expiration of three years after their issuance (September 28, 2024), request the issuing company to redeem the bonds at their par value plus an interest compensation (100% of their par value).
Conversion requirements	Conversion period From the date following the expiration of three months after the issue of the convertible bonds (December 29, 2021) to the date of their maturity (September 28, 2026), a holder of the bonds may convert them into the Company's common shares in accordance with the Company's conversion requirements.
Conversion price	NTD 36.3.

(XIII) Income tax

1. Income tax expense

The income tax expenses of the Consolidated Company in 2023 and 2022 are detailed as follows:

	2023	2022
Income tax expense for the period		
Incurred in the period	$ 113,375	78,330
Adjustment to the current income tax of previous period	9,661	(189)
	123,036	78,141
Deferred income tax expense		
Occurrence and reversal of temporary differences	(1,650)	(40,570)
Income tax expense	**$ 121,386**	**37,571**

The relationship between the income tax expenses and the pre-tax net profits (losses) of the Consolidated Company in 2023 and 2022 is adjusted as follows:

	2023	2022
Pre-tax profit (loss)	$ 283,795	(131,310)
Income tax calculated at the domestic tax rate in the place where the Consolidated Company is located	$ 129,659	43,225
Investment profit recognized using the equity method	(68,844)	(62,117)
Loss (Profit) on valuation of financial assets and liabilities	(2,087)	2,138
Interest expense of convertible corporate bonds	2,911	3,137
Underestimation (Overestimation) of income taxes in prior years	9,661	(189)
Change in unrecognized temporary differences	(2,703)	(1,693)
Current taxable loss of unrecognized deferred income tax assets	54,734	52,890
Realized investment loss	(2,465)	-
Non-deductible expense	388	449
Others	132	(269)
Total	$ 121,386	37,571

2. Deferred income tax assets and liabilities

(1) Unrecognized deferred income tax assets

The following are the items not recognized as deferred income tax assets by the Consolidated Company:

	2023.12.31	2022.12.31
Temporary differences on taxable losses	$ 64,467	44,153
Deductible temporary differences	25,389	28,092
	$ 89,856	72,245

According to the Income Tax Act, the taxable losses of the previous 10 years assessed by the tax authority may be deducted from the net profit of the current year before assessing any income tax. Such items are not recognized as deferred income tax assets because the Consolidated Company is unlikely to have sufficient taxable income in the future for use in the temporary differences.

The following are the deadlines for deduction of the taxable losses not recognized by the Consolidated Company as deferred income tax assets as of December 31, 2023:

Years of loss	Loss not yet deducted	Final year for deduction
2017	$ 9,366	2027
2018	14,045	2028
2019	34,996	2029
2020	47,732	2030
2021	52,110	2031
2022	52,685	2032
2023	111,404	2033
	$ 322,338	

(2) Recognized deferred income tax assets and liabilities

The changes in deferred income tax liabilities in 2023 and 2022 are as follows:

	Unrealized profit on projects
Deferred income tax liabilities:	
Balance as of January 1, 2023	$ 523,881
Income statement of debits (credits)	1,981
Balance as of December 31, 2023	**$ 525,862**
Balance as of January 1, 2022	$ 491,623
Income statement of debits (credits)	32,258
Balance as of December 31, 2022	**$ 523,881**

The changes in deferred income tax assets in 2023 and 2022 are as follows:

	Difference in the time of financial and tax recognition	Impairment loss	Total
Deferred income tax assets:			
Balance as of January 1, 2023	$ 94,483	4,400	98,883
Income statement of (debits) credits	4,144	(513)	3,631
Balance as of December 31, 2023	**$ 98,627**	**3,887**	**102,514**
Balance as of January 1, 2022	$ 26,055	-	**26,055**
Income statement of (debits) credits	68,428	4,400	72,828
December 31, 2022	**$ 94,483**	**4,400**	**98,883**

Investment credits that are likely to be used to deduct future taxes payable are recognized by the Consolidated Company as deferred income tax assets. The Consolidated Company is required to make material accounting judgments about recognizable deferred income tax assets based on the likely time and amount of future taxes payable and future taxation plans. However, certain investment credits are not recognized by the Consolidated Company as deferred income tax assets, because the Consolidated Company is unlikely to have sufficient taxable income in the future for use in the temporary differences.

3. Approval of income tax
   (1) The return of the Company's profit-seeking enterprise income tax has been assessed by the tax authority to 2021.
   (2) The years to which the return of the Company's profit-seeking enterprise income tax has been assessed by the tax authority are as follows:

Year of assessment	Company name
2021	Green Forest Development Enterprise Co., Ltd.
2021	Orient Forest Development Enterprise Co., Ltd.
2021	Perfection Forest Development Enterprise Co., Ltd.
2021	Easy Development Co., Ltd.
2021	Re-use Environmental Co., Ltd.
2021	Eastern Forest Environmental Technology Co., Ltd.
2021	Grain Forest Green Energy Co., Ltd.
2021	Rising Environmental Co., Ltd.
2021	Lea Lea Environmental Enterprise Co., Ltd.

4. The parent company of the Consolidated Company and the subsidiary Orient Forest Development Enterprise Co., Ltd. have filed a consolidated income tax return for the profit-seeking enterprise income tax and the tax on undistributed earnings tax under a consolidated tax return system.

(XIV) Capital and other equity

As of December 31, 2023 and 2022, the Company's authorized share capital amounted to NTD 3,000,000 thousand and NTD 2,000,000 thousand, respectively, at a par value of NTD 10 per share, and the numbers of shares issued were 157,349 thousand and 144,249 thousand, respectively. All payments for the issued shares have been received.

1. Issuance of common shares

In 2023, the Company issued 2,755 thousand new shares at par value for a total of NTD 27,548 thousand due to the holders of convertible bonds exercising their conversion rights. The relevant legal registration procedures have been completed.

On December 6, 2023, a special shareholders' meeting adopted a resolution to authorize the Board of Directors to issue no more than 23,000 thousand common shares via private placement for cash capital increase in two tranches within one year after the resolution of the shareholders' meeting. On December 14, 2023, the Board of Directors adopted a resolution to issue 10,345 thousand common shares via private placement at a price of NTD 29 per share, with a par value of NTD 10 per share for a total of NTD 103,450 thousand. The difference between the aforesaid par value per share and purchase price was credited to capital reserves – premium on share capital in an amount of NTD 196,555 thousand, and December 25, 2023 was set as the record date for capital increase. The relevant legal registration procedures have been completed.

The assignment of the aforementioned privately placed common shares and the subsequently distributed bonus shares is subject to Article 43-8 of the Securities and Exchange Act. Before applying to the Taiwan Stock Exchange for public listing and trading, an application for public offering must be filed with the Financial Supervisory Commission three years after the date of delivery of the privately placed common shares.

2. Capital reserves

The balance of the Company's capital reserves consists of the following:

		2023.12.31	2022.12.31
Premium on common shares	$	1,560,239	1,363,684
Premium on conversion of convertible corporate bonds		75,918	-
Premium on consolidation		2,262,991	2,262,991
Premium on shares acquired from the exercise of stock options		79,213	79,213
Number of overdue stock options which were not exercised and became invalid		37,201	37,201
Recognition of changes in equity ownership in subsidiaries		3,017	3,017
Issuance of convertible corporate bonds		65,678	72,976
	$	4,084,257	3,819,082

According to the Company Act, capital reserves shall be first used to cover losses before issuing new shares or cash from realized capital reserves based on the original shareholding of a shareholder. The aforementioned realized capital reserves include the premium on shares issued in excess of the par value and the income from gifts received.

According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total amount of capital reserves to be capitalized each year shall not exceed 10% of the paid-in capital.

3. Retained earnings

According to the Articles of Incorporation, where there are earnings in the final account of a year, 10% of the earnings shall be allocated as legal reserves after they are used to pay taxes and cover previous losses, unless the amount of such legal reserves equals or exceeds the Company's paid-in capital. Additionally, an amount of special reserves may be allocated based on the operational needs of the Company and the law. If there is any balance of the earnings, the Board of Directors shall prepare a proposal for distribution of earnings in respect of such balance plus the undistributed earnings at beginning of the period and submit the proposal to a shareholders' meeting for a resolution for their distribution. Where all or part of the aforementioned earnings, legal reserves and capital reserves are distributed in cash, the Board of Directors is authorized to adopt a resolution for such distribution subject to approval by a majority of the attending directors with the attendance of at least two-thirds of all directors.

Taking into account the environment and growth stage where the Company is situated, as well as the future funding needs, financial structure, earnings and a balanced and stable dividend policy, the Company will distribute stock dividends or cash dividends as appropriate based on the funding needs and the degree of dilution of earnings per share, with cash dividends not less than 10% of the total amount distributed. If necessary, the principles for distribution of cash dividends and stock dividends may be adjusted by a resolution of the shareholders' meeting.

(1) Legal reserves

Where the Company has no losses, the shareholders' meeting may adopt a resolution to distribute new shares or cash from legal reserves, provided that they are distributed only from the portion of such reserves exceeding 25% of the paid-in capital.

(2) Special reserves

In accordance with the requirements of the Financial Supervisory Commission, when distributing distributable earnings, the Company will allocate special reserves from the profit/loss of the current period and the undistributed earnings of the previous period based on the difference between the net deduction of other shareholders' equity accounted for and the balance of the special reserves allocated in the preceding paragraph, as incurred in the current year. For the amount of the deduction of other shareholders' equity accumulated in the previous period, special reserves will be allocated from the undistributed earnings of the previous period, where no distribution may be made. In the event of any subsequent reversal of the amount of deduction of other shareholders' equity, earnings may be distributed based on the reversed amount.

On June 14, 2022, the annual shareholders' meeting adopted a resolution to allocate NTD 59,185 thousand as special reserves.

(3) Distribution of earnings

On June 13, 2023, the proposal for covering the losses of 2023 was approved by a resolution of the annual shareholders' meeting. For 2022, there were no earnings distributable due to accumulated losses. On June 14, 2022, the proposal for distribution of the earnings of 2021 was approved by a resolution of the annual shareholders' meeting. The following is the amount of dividends distributed to the owners:

	2021	
	Dividend payout ratio (NTD)	**Amount**
Dividends distributed to the owners of common shares:		
Cash	$ 0.85	122,612

(XV) Earnings (Losses) per share

1. Basic earnings (losses) per share

The basic earnings (losses) per share of the Consolidated Company in 2023 and 2022 are calculated based on the net profit (loss) attributable to the holders of the Company's common share equity and the weighted average number of outstanding common shares. They are calculated as follows:

(1) Net profit (loss) attributable to the holders of the Company's common share equity

	2023	**2022**
Net profit (loss) attributable to the holders of the Company's common share equity	$ 39,751	(273,003)

(2) Weighted average number of outstanding common shares

	2023	**2022**
Common shares issued at beginning of the period	144,249	144,249
Effect of conversion of convertible corporate bonds	2,257	-
Effect of new shares issued for cash capital increase	198	-
Weighted average number of outstanding common shares	146,704	144,249
Earnings (losses) per share (NTD)	$ 0.27	(1.89)

2. Diluted earnings (losses) per share

The diluted earnings (losses) per share of the Consolidated Company in 2023 and 2022 are calculated based on the net profit (loss) attributable to the holders of the Company's common share equity and the weighted average number of outstanding common shares after adjusting the dilutive effect of all potential common shares. They are calculated as follows:

(1) Net profit (loss) attributable to the holders of the Company's common share equity (diluted)

		2023	2022
Net profit (loss) attributable to the holders of the Company's common share equity	$	39,751	(273,003)
Effect of conversion of convertible corporate bonds		733	(Note)
	$	40,484	(273,003)

(2) Weighted average number of outstanding common shares (diluted)

		2023	2022
Weighted average number of outstanding common shares (thousand shares)		146,704	144,249
Effect of stock dividends for employees (thousand shares)		32	-
Effect of conversion of convertible corporate bonds		25,291	(Note)
Weighted average number of outstanding common shares (diluted)		172,027	144,249
Earnings (losses) per share (NTD)	$	0.24	(1.89)

Note: Not included in the calculation of diluted earnings per share due to an anti-dilutive effect.

(XVI) Revenue from customer contracts

1. Breakdown of revenue

		2023	2022
Market of main territory:			
Taiwan	$	3,679,679	3,922,895
Main product/service lines:			
Revenue from water treatment project contracts – service concession arrangements	$	99,167	123,973
Revenue from water treatment project contracts – public projects		1,430,240	1,657,934
Revenue from the operation and maintenance of water treatment projects		1,123,804	1,230,616
Revenue from service concessions		661,013	647,674
Revenue from waste treatment		346,191	247,162
Other operating revenues		19,264	15,536
	$	3,679,679	3,922,895

2. Contract balance

	2023.12.31	2022.12.31	Jan. 1, 2022
Notes receivable	$ -	4,888	11,936
Accounts receivable	1,579,650	1,468,080	1,086,504
Total	$ 1,579,650	1,472,968	1,098,440
Contract assets – project investments not meeting the criteria for a right to receive payment	$ 573,311	765,964	422,110
Contract assets – retention money receivable for projects	120,036	255,310	186,644
Less: Loss allowance	-	-	-
Total	$ 693,347	1,021,274	608,754
Amount expected to be recovered after more than 12 months	$ 16,452	31,800	16,053
Contract liabilities – payments received exceeding project investments	$ 125,755	110,935	200,917
Contract liabilities – Advance receipts	6,221	9,942	13,929
Total	$ 131,976	120,877	214,846
Amount expected to be settled after more than 12 months	$ -	-	9,641

3. For the disclosures of accounts receivable and their impairment, see Note 6(4).
4. For information on the credit risks of contract assets, see Note 6(19).
5. Changes in contract assets and contract liabilities are mainly due to the difference between the timing of fulfillment of the performance obligation and the timing of customer payment for the transfer of goods or services from the Consolidated Company to the customer. For disputes related to contract assets, see Note 9.

(XVII) Remuneration for employees and directors

In accordance with the Articles of Incorporation of the Company, if there is any profit in a year, no less than 2% of the profit shall be allocated as employee remuneration, and no more than 2% of the profit shall be allocated as director remuneration. If the Company still has accumulated losses, an amount of the profit shall be retained to cover such losses. The recipients of such remuneration distributed in shares or cash include employees of any affiliate who have met certain requirements.

For 2023 and 2022, the amounts of employee remuneration were estimated to be NTD 964 thousand and NTD 0 respectively, and the amounts of director remuneration were estimated to be NTD 964 thousand and NTD 0 respectively. The estimates were based on the pre-tax net profit for the relevant period, excluding the employee and director remuneration, multiplied by the percentage of employee and director remuneration for distribution as set forth in the Articles of Incorporation. The amounts were accounted for as operating costs or expenses for 2023 and 2022. Any difference between the actually distributed amount and the estimated amount in the next year will be treated as a change in accounting estimates and recognized as a profit/loss of the next year.

For 2022, the amounts allocated by the Company as the employee and director remuneration were both NTD 0, which were not different from the actually distributed amounts. For 2021, the amounts allocated as the employee and director remuneration were both NTD 3,794 thousand, which were underestimated by NTD 107 thousand from the actually distributed amounts. Please visit the Market Observation Post System (MOPS) for relevant information.

(XVIII) Non-operating revenues and expenses

1. Interest income

The interest incomes of the Consolidated Company in 2023 and 2022 are detailed as follows:

		2023	2022
Interest on bank deposits	$	9,434	3,003
Other interest income		1,546	981
	$	10,980	3,984

2. Other profits and losses

The other profits and losses of the Consolidated Company in 2023 and 2022 are detailed as follows:

		2023	2022
Profit (loss) on foreign currency exchange	$	(98)	453
Profit (Loss) on financial assets and liabilities measured at fair value through profit/loss		11,913	(9,373)
Profit (Loss) on reversal of impairment		8,190	(22,000)
Loss on disposal of intangible assets		(5)	-
Loss on disposal of property, plant and equipment		(435)	(1,309)
Profit (Loss) on lease termination		454	(323)
Miscellaneous income		8,198	6,706
Lease income		882	228
	$	29,099	(25,618)

3. Financial cost

The financial costs of the Consolidated Company in 2023 and 2022 are detailed as follows:

		2023	2022
Interest expense			
Bank loans	$	127,650	103,732
Financial expense		21,351	19,015
Amortization of discount of liability provision		1,396	1,836
Interest on fixed premium payable		3,282	3,591
Interest expense on lease liabilities		509	615
Amortization of discount of convertible corporate bonds		12,246	13,175
Interest compensation for convertible corporate bonds		2,308	2,512
Interest on lawsuit compensation		-	55
Other interest expenses		408	-
Capitalized borrowing cost		(381)	(438)
	$	168,769	144,093
Capitalized interest rate		3.65%	3.38%

(XIX) Financial instruments

1. Credit risk

(1) The maximum amount of credit risk exposure

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

(2) Concentration of credit risks

As of December 31, 2023 and 2022, the Consolidated Company's concentration of credit risks on government agencies due to tenders for BOT and public projects accounted for 96% of total receivables.

(3) Credit risk of receivables

For information on the credit risk exposure of notes and accounts receivable, see Note 6(4).

Other financial assets measured at amortized cost include other receivables (accounted for in other financial assets – current), mainly due to advance payments for jointly contracted projects, with such payments reimbursed in installments according to the progress of a project. Taking into account the historical loss given default (LGD), the debtor's current financial condition and the prospects of the industry where the Consolidated Company is situated, the Consolidated Company has measured the expected credit loss and found no impairment.

The above are all financial assets with a low credit risk. Therefore, the loss allowance for the period is measured based on the amount of the 12-month expected credit loss (for information on how the Consolidated Company determines a low credit risk, see Note 4(7)). In 2023 and 2022, no loss allowance was set aside.

(4) Contract assets

The Consolidated Company's customers are concentrated in tenders for public projects, BOT and ROT. As of December 31, 2023 and 2022, the Consolidated Company's concentration of credit risks on government agencies due to tenders for BOT and public projects accounted for 99% and 96% of contract assets, respectively. Since the counterparties are mainly government agencies, there is unlikely to be any significant credit risk.

2. Liquidity risk

The table below shows the contractual maturities of financial liabilities, including estimated interest but excluding the effect of netting agreement.

	Carrying amount	Contractual cash flows	Within 1 year	1–2 years	2–5 years	Over 5 years
December 31, 2023						
Non-derivative financial liabilities						
Instruments with a floating interest rate	$ 3,591,281	3,840,986	2,037,591	666,359	716,743	420,293
Instruments with a fixed interest rate	1,936,207	2,010,071	1,030,746	11,100	944,640	23,585
Non-interest-bearing liabilities	1,406,660	1,406,660	1,291,232	18,326	97,102	-
Lease liabilities	20,001	21,940	3,410	2,865	7,421	8,244
	$ 6,954,149	7,279,657	4,362,979	698,650	1,765,906	452,122
December 31, 2022						
Non-derivative financial liabilities						
Instruments with a floating interest rate	$ 3,719,942	3,913,330	1,996,769	722,984	1,171,471	22,106
Instruments with a fixed interest rate	2,166,893	2,262,622	1,170,937	11,100	1,045,900	34,685
Non-interest-bearing liabilities	1,476,130	1,476,130	1,223,461	154,438	98,231	-
Lease liabilities	30,928	33,795	8,392	3,423	9,174	12,806
	$ 7,393,893	7,685,877	4,399,559	891,945	2,324,776	69,597

The Consolidated Company does not expect the timing of occurrence of cash flows in the maturity analysis to be significantly earlier, or the actual amount to be significantly different.

3. Exchange rate risk: None.
4. Interest rate analysis

The interest rate exposure of the Consolidated Company's financial assets and liabilities is described in liquidity risk management under this note.

The following sensitivity analysis is based on the interest rate risk exposure of derivative and non-derivative instruments on the reporting date. The analysis of liabilities with a floating interest rate is based on the assumption that the amounts of outstanding liabilities on the reporting date are outstanding over the whole year. A 1% increase or decrease in interest rate is the rate of change used in an internal report to the Consolidated Company's key management regarding interest rate, and it also represents the range of reasonable possible changes in interest rate as assessed by the management.

If the interest rate increases or decreases by 1% with all other variables remaining constant, the net profits of the Consolidated Company in 2023 and 2022 would decrease or increase by NTD 13,160 thousand and NTD 17,593 thousand respectively, mainly due to its loans and deposits with floating interest rates.

5. Other price risks

The following are the effects of changes in the price on the reporting date (the two-period analysis uses the same basis under the assumption that other variables remain unchanged) on the after-tax profit/loss and comprehensive income:

	2023		2022	
Securities price on the reporting date	**After-tax amount of other comprehensive income**	**After-tax profit/loss**	**After-tax amount of other comprehensiv e income**	**After-tax profit/loss**
Up by 10%	$ 16,507	27,630	9,067	31,273
Down by 10%	$ (16,507)	(27,630)	(9,067)	(31,273)

6. Fair value information
   (1) Types and fair values of financial instruments

The Consolidated Company's financial assets measured at fair value through profit/loss and financial assets measured at fair value through other comprehensive income are measured at fair value on a recurring basis. The carrying amounts and fair values of various types of financial assets or financial liabilities (including the information on fair value levels, except that no fair value information must be disclosed for financial instruments not measured at fair value whose carrying amount is a reasonable approximation to the fair value, and for lease liabilities) are listed as follows:

Notes to the Consolidated Financial Report of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries (continued)

	2023.12.31				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit/loss					
Non-derivative financial assets measured at fair value through profit/loss on a mandatory basis	$ 276,297	276,297	-	-	276,297
Financial assets measured at fair value through other comprehensive income					
Domestic listed and emerging stocks	$ 63,155	-	63,155	-	63,155
Equity instruments without open quoted price measured at fair value	109,634	-	-	109,634	109,634
Subtotal	$ 172,789	-	63,155	109,634	172,789
Financial liabilities measured at fair value through profit/loss					
Financial liabilities derived from financial liabilities measured at fair value through profit/loss on a mandatory basis	$ 4,590	-	-	4,590	4,590

	2022.12.31				
		Fair value			
	帳面金額	第一級	第二級	第三級	合計
Financial assets measured at fair value through profit/loss					
Non-derivative financial assets measured at fair value through profit/loss on a mandatory basis	$ 312,725	312,725	-	-	312,725
Financial assets measured at fair value through other comprehensive income					
Domestic listed and emerging stocks	$ 42,995	-	42,995	-	42,995
Equity instruments without open quoted price measured at fair value	56,470	-	-	56,470	56,470
Subtotal	$ 99,465	-	42,995	56,470	99,465
Financial liabilities measured at fair value through profit/loss on a mandatory basis	$ 16,200	-	-	16,200	16,200

(2) Evaluation techniques for the fair value of financial instruments not measured at fair value

The following are the methods and assumptions used by the Consolidated Company to estimate instruments not measured at fair value:

(2.1) Financial assets and liabilities measured at amortized cost

Where there is any quotation from a trader or market maker, the most recent traded price and quotation are used as the basis for assessing the fair value. If there is no market value for reference, the evaluation method will be used for estimation. The estimates and assumptions used in the evaluation method are adopted to estimate the fair value of the discount of cash flows.

(3) Evaluation techniques for the fair value of financial instruments measured at fair value

(3.1) Non-derivative financial instruments

Where there is an open quoted active market price for a financial instrument, the fair value will be that open quoted active market price. The market prices announced by major exchanges and by the Taipei Exchange (TPEx) for central government bonds that have been determined to be popular constitute the basis for the fair values of publicly listed equity instruments and debt instruments with open quoted active market prices.

If it is able to obtain the open quoted price of a financial instrument in a timely and regular manner from an exchange, broker, underwriter, industrial association, pricing service provider or competent authority, and if the price represents actually and regularly occurring fair market transactions, the financial instrument is deemed to have an open quoted active market price. If the aforementioned conditions are not met, the market is deemed to be inactive. In general, a large bid-ask spread, a significant increase in the bid-ask spread, or a low trading volume is an indicator of an inactive market.

Where a financial instrument held by the Consolidated Company has an active market, its fair value is a beneficiary certificate based on its type and attributes. It is a financial asset with standard terms and conditions and traded in an active market, and its fair value is determined with reference to market quotations.

Where a financial instrument held by the Consolidated Company has no active market, its fair value is an equity instrument without any open quoted price based on its type and attributes. Its fair value is estimated using the market approach, with its main assumptions for measurement based on the comparative corporate market value and financial information of an investee. Such estimate has adjusted the effect of the discount on the liquidity of the equity securities.

(3.2) Derivative financial instruments

The evaluation is based on an evaluation model widely accepted by market users, and the fair value is estimated using the market approach and a binary-tree convertible bond evaluation model.

(4) Transfer between Level 1 and Level 2: None.

(5) Statement of changes in Level 3

	Measured at fair value through profit/loss	Measured at fair value through other comprehensive income
	Embedded derivative financial instruments of financial liabilities held for transaction	**Equity instruments without open quoted price**
January 1, 2023	$ 16,200	56,470
Recognized in profit/loss	(10,910)	
Recognized in other comprehensive income	-	29,801
Conversion of corporate bonds	(700)	-
Purchase (Note)	-	23,363
December 31, 2023	$ 4,590	109,634
January 1, 2022	$ 3,800	69,011
Recognized in profit/loss	12,400	
Recognized in other comprehensive income	-	(12,541)
December 31, 2022	$ 16,200	56,470

Note: As of December 31, 2023, the outstanding payments amounted to NTD 23,363 thousand, which were accounted for as other payables.

The total profits or losses above are accounted for in “other profits and losses” and “unrealized evaluation profit (loss) on financial assets measured at fair value through other comprehensive income.” Those related to assets still held as of December 31, 2023 and 2022 are as follows:

	2023	2022
Total profits or losses		
Recognized in profit/loss (accounted for in “other profits and losses”)	$ 10,910	(12,400)
Recognized in other comprehensive income (accounted for in “unrealized evaluation profit (loss) on financial assets measured at fair value through other comprehensive income”)	29,801	(12,541)

(6) Quantitative information on the fair value measurement of significant unobservable inputs (Level 3)

The Consolidated Company's fair value measurements classified as Level 3 mainly include financial liabilities measured at fair value through profit/loss – derivative financial instruments and financial assets measured at fair value through other comprehensive income – investments in equity securities.

Most of the Consolidated Company's fair values are classified as Level 3, with only one single significant unobservable input.

The quantitative information of significant unobservable inputs is listed as follows:

Item	Evaluation technique	Significant unobservable input	Relationship between the significant unobservable input and fair value
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without active market	Market approach	• Liquidity discount (11.21%–30.00% and 10.00%–23.01% as of December 31, 2023 and 2022, respectively) • Volatility (26.52%–26.91% and 13.72%–23.01% as of December 31, 2023 and 2022, respectively)	• The higher the liquidity discount, the lower the fair value. • The higher the volatility, the higher the fair value.
Financial liabilities measured at fair value through profit/loss – embedded derivative financial instruments	Binary-tree convertible bond evaluation model	• Volatility (21.22% and 14.95% as of December 31, 2023 and 2022, respectively)	• The higher the volatility, the higher the fair value.

(7) Fair value measurement for Level 3, and sensitivity analysis of fair value to reasonably possible alternative assumptions

The Consolidated Company's measurement of the fair value of financial instruments is reasonable. However, the use of different evaluation models or evaluation parameters may result in different evaluation results. For financial instruments classified as Level 3, changes in the evaluation parameters will result in the following effects on the current profit/loss or other comprehensive income:

	Input	Change by increase or decrease	Change in fair value reflected in current profit/loss		Change in fair value reflected in other comprehensive income	
			Positive change	Negative change	Positive change	Negative change
December 31, 2023						
Financial assets measured at fair value through other comprehensive income						
Investment in equity instruments without active market	Liquidity discount	+1%	-	-	-	(863)
	Liquidity discount	-1%	-	-	863	-
	Volatility	+1%	-	-	-	(307)
	Volatility	-1%	-	-	274	-
Financial liabilities measured at fair value through profit/loss						
Embedded derivative financial instruments	Volatility	+1%	360	-	-	-
	Volatility	-1%	-	(360)	-	-
December 31, 2022						
Financial assets measured at fair value through other comprehensive income						
Investment in equity instruments without active market	Liquidity discount	+1%	-	-	-	(421)
	Liquidity discount	-1%	-	-	449	-
Financial liabilities measured at fair value through profit/loss						
Embedded derivative financial instruments	Volatility	+1%	1,000	-	-	-
	Volatility	-1%	-	(1,200)	-	-

The positive and negative changes in the Consolidated Company refer to volatility in its fair value, and the fair value is calculated using the evaluation technique based on unobservable input parameters of different levels. If the fair value of a financial instrument is affected by one or more inputs, the above table only reflects the effect of changes in a single input, and does not take into account the correlation and variability between the inputs.

(XX) Financial risk management

1. Summary

The Consolidated Company is exposed to the following risks due to its use of financial instruments:

(1) Credit risk

(2) Liquidity risk

(3) Market risk

This note presents the Consolidated Company’s exposure information for the risks above, and its goals, policies and procedures for the measurement and management of risks. For further quantitative disclosures, see the relevant notes to the consolidated financial report.

2. Risk management framework

The Consolidated Company’s risk management policies are established to identify and analyze the risks faced by the Consolidated Company, to set appropriate risk limits and controls, and to monitor risks and the compliance of risk limits. The risk management policies and systems are regularly reviewed to reflect changes in market conditions and the operations of the Consolidated Company. Through training, management guidelines and operating procedures, the Consolidated Company develops a disciplined and constructive control environment for all employees to understand their roles and obligations.

The Audit Committee of the Consolidated Company oversees how the management monitors compliance with the Consolidated Company’s risk management policies and procedures, and reviews the appropriateness of the Consolidated Company’s risk management framework related to the risks it faces. The internal auditors assist the Audit Committee in playing a supervisory role. They conduct regular and special reviews of the risk management controls and procedures, and report the results of such reviews to the Audit Committee.

3. Credit risk

Credit risk is a risk of financial loss resulting from the failure of the Consolidated Company’s customers or counterparties for financial instruments to perform contractual obligations. Such risk mainly arises from the Consolidated Company’s accounts receivable from customers.

(1) Accounts receivable and other receivables

The Consolidated Company’s customers are concentrated in tenders for public projects, BOT and ROT. As of December 31, 2023 and 2022, the Consolidated Company’s concentration of credit risks on government agencies due to tenders for BOT and public projects accounted for 96% of receivables. Since the counterparties are mainly government agencies, there is unlikely to be any credit risk. The Consolidated Company still regularly assesses the possibility for the recovery of accounts receivable and allocates loss allowance, and the result of its loss assessment remains within the management's expectations.

(2) Investment

The credit risks of bank deposits, fixed income investments and other financial instruments are measured and monitored by the Consolidated Company's financial department. Since all of the transaction and contractual counterparties of the Consolidated Company are banks with good credit standing and financial institutions, corporations and government agencies with an investment or higher grade, there is no significant concern about their performance, and thus there is no significant credit risk.

4. Liquidity risk

Liquidity risk refers to a risk that the Consolidated Company may be unable to deliver cash or other financial assets to settle financial liabilities and fail to fulfill related obligations. The Consolidated Company manages liquidity by ensuring, as far as possible, that under normal and stressed circumstances, the Consolidated Company has sufficient current funds to repay matured liabilities, without causing unacceptable losses or any damage to the Consolidated Company's reputation.

5. Market risk

Market risk refers to a risk that changes in market prices, such as changes in exchange rates, interest rates or equity instrument prices, will affect the Consolidated Company's income or the value of the financial instruments it holds. Market risk management aims to control the level of market risk exposure within an acceptable range and optimize investment returns. The Consolidated Company is not exposed to any significant market risk.

(1) Interest rate risk

The Consolidated Company's risk of interest rate changes mainly arises from its bank loans. Loans with a floating interest rate will expose the Consolidated Company to cash flow risk, and loans with a fixed interest rate will expose the Consolidated Company to fair value risk. The Consolidated Company assesses that the level of interest rate in the operating environment where it is situated has been stable in recent years, and is thus unlikely to cause any significant interest rate risk.

(XXI) Capital management

The Consolidated Company's capital management aims to ensure its going concern ability to continue to provide shareholders' returns and other stakeholders' interests, and maintain an optimal capital structure to reduce the capital cost.

In order to maintain or adjust the capital structure, the Consolidated Company may adjust the dividends paid to shareholders, return payments to shareholders from capital reduction, issue new shares, or sell assets to settle liabilities.

The Consolidated Company also monitors its capital structure through the debt-to-capital ratios and cash flows. The debt-to-capital ratios on the reporting date are as follows:

	2023.12.31	2022.12.31
Total liabilities	$ 7,977,380	8,437,568
Less: Cash and cash equivalents	(1,790,514)	(1,362,598)
Net liabilities	6,186,866	7,074,970
Total equity	7,458,535	6,943,020
Adjusted capital	**$ 13,645,401**	**14,017,990**
Debt-to-capital ratio	**45.34%**	**50.47%**

The debt-to-capital ratio as of December 31, 2023 decreased mainly due to an increase in bank deposits and share capital as a result of a cash capital increase in the current period.

(XXII) Investing and financing activities of non-cash transactions

There were no significant investing and financing activities of non-cash transactions.

VII. Related party transactions

(I) Parent company and ultimate controller

Ho Ching Enterprises Co., Ltd. is the Consolidated Company's parent company, holding 66.87% of the outstanding common shares of the Consolidated Company. Rich Development Co., Ltd. is the ultimate controller of the group to which the Consolidated Company belongs. Rich Development Co., Ltd. has prepared a consolidated financial report for public use.

(II) Names of related parties and their relationship

The following are the related parties conducting transactions with the Consolidated Company during the period covered by this consolidated financial report:

Name of related party	Relationship with the Consolidated Company
Rich Development Co., Ltd. (hereinafter "Rich Development")	Ultimate parent company of the Consolidated Company
Ho Ching Enterprises Co., Ltd. (hereinafter "Ho Ching Enterprises")	Parent company of the Consolidated Company
Broadway Hotel	The chairman of the company is a relative within the second degree of kinship of the Company's chairman
Kuo Shan-Lin Educational Foundation	The chairman of the company is a relative within the second degree of kinship of the Company's chairman
Hon Lin Heavy Industries Co., Ltd. (hereinafter "Hon Lin Heavy Industries")	A director of the company is a relative within the second degree of kinship of the Company's chairman
Lealea Hotel Co., Ltd. (hereinafter "Lealea Hotel")	A director of the company is a relative within the second degree of kinship of a director of the Company
Lea Green Care	The chairman of the company is a director of the Company
Mu Sheng Cloud Interior Decoration and Design Co., Ltd.	The chairman of the company is a director of the Company
Giantforest Solutions Co., Ltd. (hereinafter "Giantforest Solutions")	The chairman of the company is a director of the Company
Howsler Foods Co., Ltd. (hereinafter "Howsler Foods")	The chairman of the company is a director of the Company
Qing Shan Lin Limited (hereinafter "Qing Shan Lin")	The chairman of the company is a director of the Company
Yilan Lealea Development Co., Ltd. (hereinafter "Yilan Lealea")	The chairman of the company is a director of the Company
ITT Management Co., Ltd. (hereinafter "ITT Management")	The chairman of the company is a director of the Company
Yilan County Lea Lea Elderly Care Center	The chairman of the company is a director of the Company
Jia Rui Development Co., Ltd.	The chairman of the company is a director of the Company
Lineng Power Co., Ltd. (hereinafter "Lineng Power")	De facto related party
Liyang Electrical Engineering Co., Ltd. (hereinafter "Liyang Electrical")	De facto related party
Li Young Electrical Development Co., Ltd. (hereinafter "Li	De facto related party

Name of related party	Relationship with the Consolidated Company
Young Electrical”)	
S.T.Y. Steels Co., Ltd. (hereinafter “S.T.Y. Steels”)	De facto related party
Libolon Enterprise Co., Ltd. (hereinafter “Libolon”)	De facto related party
Lealea Mingchih Resort Co., Ltd. (hereinafter “Lealea Mingchih”)	De facto related party
Lealea Development Co., Ltd. (hereinafter “Lealea Development”)	De facto related party
Forest Water Sustainability Tech EP Engineering Co., Ltd. (hereinafter “Forest Water Sustainability”)	De facto related party
BHL Taipei Limited	De facto related party
Ching Iee Development Co., Ltd. (hereinafter “Ching Iee Development”)	De facto related party
Hope Jet Engineering Co., Ltd. (hereinafter “Hope Jet Engineering”)	De facto related party
Lead U Education Co., Ltd. (hereinafter “Lead U Education”)	A director of the company is a director of the Company
Teamphon Energy Co., Ltd.	A director of the company is a director of the Company
Lealea Eagle Travel Service Co., Ltd. (hereinafter “Lealea Eagle Travel”)	A director of the company is a director of the Company
Buy Chow Foods Co., Ltd. (hereinafter “Buy Chow Foods”)	A director of the company is a director of the Company
Neng Pan Engineering Co., Ltd. (hereinafter “Neng Pan Engineering”)	A director of the company is a director of the Company
Lealea Hotels and Resorts Co., Ltd. (hereinafter “Lealea Hotels and Resorts”)	A director of the company is the chairman of the Company
Lea Jing Enterprise Co., Ltd. (hereinafter “Lea Jing Enterprise”)	The Company’s chairman and the chairman of the company are the same person
Chih Mei International Trade Co., Ltd. (hereinafter “Chih Mei International”)	The Company’s chairman and the chairman of the company are the same person
Chih Mau International Co., Ltd. (hereinafter “Chih Mau International”)	The Company’s chairman and the chairman of the company are the same person
Bloom Creative Co., Ltd. (hereinafter “Bloom Creative”)	The Company’s chairman and the chairman of the company are the same person
Ilea Hotel Co., Ltd. (hereinafter “Ilea Hotel”)	A supervisor of the company is a director of the Company

(III) Significant transactions with related parties

1. Purchases from related parties

The amount of the Consolidated Company's purchases from other related parties is as follows:

	Contract amount		Purchase (price of the current period)	
	2023.12.31	**2022.12.31**	**2023**	**2022**
Hope Jet Engineering	$ 124,136	95,153	31,069	69,920
Li Young Electrical	20,650	154,060	(79)	50,445
Lealea Development	138,785	138,662	24,445	18,816
Hon Lin Heavy Industries	12,721	34,810	(561)	791
Neng Pan Engineering	92,210	441,600	(1,223)	(176)
Forest Water Sustainability	377,497	192,381	101,647	56,613
S.T.Y. Steels	935	22,054	935	22,054
Others	16,843	13,353	7,059	4,570
	$ 783,777	1,092,073	163,292	223,033

The price of a project contracted by the Consolidated Company to a related party is the result of price consultation, comparison and negotiation, and is reimbursed on a monthly basis at the price agreed by both parties. Some related parties pay a fee for preparatory work in advance after the signing of the contract, with half of payment made in a demand check and half of it made in a 30-day check upon receipt of an invoice for reimbursement on a monthly basis. Other related parties make payment in a 30-day check. There are no significant differences with the terms of transactions with a non-related party.

2. Payables to related parties

The Consolidated Company's payables to related parties are detailed as follows:

Account title	Type of related party	2023.12.31	2022.12.31
Notes and accounts payable	Ultimate parent company	$ -	63
Notes and accounts payable	Other related party – Neng Pan Engineering	302	5,207
Notes and accounts payable	Other related party – Hope Jet Engineering	1,245	24,265
Notes and accounts payable	Other related party – Li Young Electrical	-	16,348
Notes and accounts payable	Other related party – Lealea Development	12,768	8,609
Notes and accounts payable	Other related party – Forest Water Sustainability	40,692	12,114
Notes and accounts payable	Other related party – Others	3,617	6,941
Other payables (Note 1)	Parent company	100,074	-
Other payables (Note 2)	Ultimate parent company	9,377	9,450
Other payables	Other related parties	1,068	600
		$ 169,143	83,597

Note 1: The Consolidated Company borrowed NTD 100,000 thousand from the parent company in 2023 at an annual interest rate of 2.45%, and recognized a financial cost of NTD 407 thousand in 2023.

Note 2: Interest expenses payable for endorsements/guarantees.

3. Prepayments

The prepayments from the Consolidated Company to related parties for contracting projects are detailed as follows:

	2023.12.31	2022.12.31
Other related party – Neng Pan Engineering	$ -	1,010
Other related party – Forest Water Sustainability	15,822	26,620
Other related party – Hon Lin Heavy Industries	-	2,520
Other related party – Hope Jet Engineering	92	92
Other related party – BHL Taipei	6,868	-
	$ 22,782	30,242

4. Lease (Rental) of right-of-use assets

The Consolidated Company has rented office buildings and parking spaces from the ultimate parent company and other related parties, and has signed a lease contract for one to two years with reference to the office rent in the neighboring areas. The interest expenses recognized in 2023 and 2022 were NTD 26 thousand and NTD 74 thousand, respectively, and the balances of lease liabilities as of December 31, 2023 and 2022 were NTD 0 and NTD 2,682 thousand, respectively.

5. Endorsements/Guarantees

The following are the amounts of endorsements/guarantees provided by related parties on behalf of the Consolidated Company to the bank for subsidiaries for the syndicated loans to the latter:

	2023.12.31	2022.12.31
Ultimate parent company	$ 665,055	900,000

In 2023 and 2022, the Consolidated Company paid NTD 8,931 thousand and NTD 9,000 thousand, respectively, as the interest expenses for endorsements/guarantees to the ultimate parent company.

6. Other

(1) In 2023 and 2022, the Consolidated Company paid NTD 11,661 thousand and NTD 11,084 thousand, respectively, as the costs for software lease configuration and maintenance to other related parties (accounted for as operating costs and operating expenses).

(2) In 2023 and 2022, the Consolidated Company paid NTD 9,761 thousand and NTD 6,553 thousand, respectively, as the expenses for entertainment and company trips to associates due to operational needs.

(3) In 2023 and 2022, the Consolidated Company donated NTD 1,501 thousand and NTD 5,637 thousand, respectively, to other related parties.

(4) In 2023 and 2022, the Consolidated Company issued notes for deposits paid in the amounts of NTD 400,000 thousand and NTD 300,000 thousand, respectively, to the parent company due to borrowing needs.

(5) In 2023 and 2022, the Consolidated Company received NTD 1,459 thousand and NTD 383 thousand, respectively, as rent for the rooftops of plants leased to other related parties.

(IV) Transactions with key management personnel

The remuneration for key management personnel includes:

	2023	2022
Short-term employee benefits	$ 20,959	21,083

VIII. Pledged assets

The carrying values of the assets provided by the Consolidated Company as collateral for pledge are detailed as follows:

Name of asset	Subject of collateral for pledge	2023.12.31	2022.12.31
Other financial assets	Bank loans and performance bonds	$ 258,159	290,133
Other financial assets – time deposits	Bank loans and performance bonds	168,407	148,628
Property, plant and equipment	Short-term notes payable and bank loans	428,571	428,156
Net concessions	Bank loans	1,136,318	1,162,813
Long-term receivables	Bank loans	3,091,234	3,170,428
		$ 5,082,689	5,200,158

IX. Material contingent liabilities and unrecognized contractual commitments

(I) Material unrecognized contractual commitments:

1. The unrecognized contractual commitments for projects contracted and outsourced by the Consolidated Company are as follows:

	2023.12.31	2022.12.31
Proceeds not received after contracting (before tax)	$ 3,724,909	5,306,819
Proceeds not paid after contracting (before tax)	$ 2,485,927	2,309,212

2. The Consolidated Company has entered into service concession arrangements in a BOT (build-operate-transfer) format with government agencies for sewage treatment services of the sanitary sewages in Nanzi, Kaohsiung and in Luodong, Yilan. The main content of the arrangements is summarized as follows:

(1) During the service concession period, the Consolidated Company provides services for the construction, operation and maintenance of the sewage treatment facilities in accordance with the methods designated by government agencies;

(2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide sewage treatment services, and receiving remuneration according to the prices agreed in the construction and operation contract and the price adjustment index;

(3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;

(4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;

(5) The Consolidated Company is the nominal registrant of the superficies of the related land and the ownership of the sewage treatment facilities during the service concession period. Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the construction and operation contract, and shall transfer and return them without compensation;

(6) The Consolidated Company may apply for the right to first renewal of the contract four years before its expiration.

(7) In the construction and operation contract between the Consolidated Company and the Yilan County Government, Article 8.4.7 stipulates that the Yilan County Government shall deduct the difference between the amount of piped tap water used and the actual amount of water entering the sewage treatment plant in the agreed month, and the relevant information must be clarified by the tap water supplier. However, the Yilan County Government has fully deducted the actual amount of water entering the plant in the agreed month and will make payment after checking the actual amount of piped tap water used with the tap water supplier. Based on historical experience, the Consolidated Company will receive such payment after approximately two years, and it is estimated as a deduction of revenue based on the historical ratio for deduction.

(8) The Consolidated Company and the Economic Development Bureau, Kaohsiung City Government will provide sewage treatment services to the Nanzi Industrial Park as an ancillary business of the original primary sewage treatment plan, with the concession period being 2023 to 2027.

3. The Consolidated Company has entered into a service concession arrangement in a ROT (repair-operate-transfer) format with a government agency for sewage treatment services of the sanitary sewage in Guanyin Industrial Park, Taoyuan. The main content of the arrangement is summarized as follows:

(1) During the service concession period, the Consolidated Company provides services for the addition, reconstruction, repair and operation of the sewage treatment facilities in accordance with the methods designated by the government agency. In accordance with the contract, the Consolidated Company shall pay a fixed premium, a variable premium and an equipment transfer fee during the operating period;

(2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide sewage treatment services. According to the investment agreement, the Consolidated Company will receive remuneration based on the rate approved by the government agency for use of the sewage treatment system;

(3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;

(4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;

(5) Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to the operating conditions specified in the license in accordance with the contract, and shall transfer and return them without compensation;

(6) The Consolidated Company may apply for the right to first renewal of the contract before the end of November 2029, and the term of any new contract shall not exceed 15 years.

4. The Consolidated Company has entered into a service concession arrangement in a ROT (repair-operate-transfer) format with a government agency for the treatment of waste from decomposition of compostable food waste and the treatment of rice straws in Taichung. The main content of the arrangement is summarized as follows:

(1) During the service concession period, the Consolidated Company provides services for the repair, operation and maintenance of the compostable food waste treatment facilities in accordance with the methods designated by the government agency. In accordance with the contract, the Consolidated Company shall pay a fixed premium and a variable premium during the operating period;

(2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide services for the treatment of waste from composting and of rice straws, and receiving remuneration for waste treatment based on the agreed contract price and the amount treated. Fees for the treatment of rice straws

are paid based on the agreed contract price and the amount treated as provided by the government agency;

(3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;

(4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;

(5) Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the contract, and shall transfer and return them without compensation;

(6) The Consolidated Company may apply for the right to first renewal of the contract before August 2039, with the term of any new contract not exceeding 20 years. The contact may be renewed only once.

5. The Consolidated Company has entered into a service concession arrangement in a BTO (build-transfer-operate) format with a government agency for the treatment of reclaimed water in Nanzi, Kaohsiung. The main content of the arrangement is summarized as follows:

(1) During the service concession period, the Consolidated Company provides services for the construction, operation and maintenance of the sewage treatment facilities in accordance with the methods designated by government agencies;

(2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide reclaimed water treatment services, and receiving remuneration according to the prices agreed in the construction and operation contract and the price adjustment index;

(3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;

(4) The government agency agrees to lease the related land and buildings to the Consolidated Company for use in the construction and operation plan during the service concession period. Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the construction and operation contract, and shall transfer and return them without compensation;

(5) The Consolidated Company may apply for the right to first renewal of the contract three years before its expiration.

(6) The Consolidated Company paid NTD 100,000 thousand as a performance bond for the bank time deposits which have been pledged by the Consolidated Company.

6. The service concession arrangements entered into by the Consolidated Company with government agencies are as follows:

Name of subsidiary as the operator	Location	Name of grantor	Type of arrangement	Term of service concession
Green Forest Development Enterprise Co., Ltd.	Kaohsiung	Kaohsiung City Government	Sanitary sewage system (BOT)	April 2006 to April 2041
〃	〃	〃	Contract for wastewater (sewage) treatment in Nanzi Industrial Park	January 2023 to June 2027
Orient Forest Development Enterprise Co., Ltd.	Yilan	Yilan County Government	Sanitary sewage system (BOT)	December 2015 to December 2040
Perfection Forest Development Enterprise Co., Ltd.	Guanyin Industrial Park	Bureau of Industrial Parks, Ministry of Economic Affairs	Sanitary sewage system (ROT)	August 2016 to July 2031
Grain Forest Green Energy Co., Ltd.	Taichung	Environmental Protection Bureau, Taichung City Government	System for decomposition of compostable food waste (ROT)	August 2017 to August 2042
Top Forest Water Co., Ltd.	Kaohsiung	Kaohsiung City Government	Reclaimed water treatment plant in Nanzi (BTO)	December 2023 to December 2044
〃	〃	Southern Taiwan Science Park Bureau, National Science and Technology Council	Contract for outsourced operation and management of the advanced reclaimed water treatment facilities, water distribution reservoir and water distribution network in Nanzi	16 years from the date of notification by the government agency

7. The material outsourced operation contracts entered into by the Consolidated Company are as follows:

Owner	Project title	Contract amount	Term of performance
Yilan County Government	Operation and maintenance of the water recycling center in Yilan	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment	December 2023 to November 2026
Central Taiwan Science Park Bureau, National Science and Technology Council	Operation and maintenance of the sanitary sewage system in Taichung Industrial Park	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	January 2020 to December 2024
Chiayi City Government	Operation and management of the water recycling center in Chiayi	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	November 2022 to December 2025
Water Resources Bureau, Tainan City Government	Operation and maintenance of the water recycling center and reclaimed water treatment plant in Yongkang, Tainan City	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	December 2022 to December 2037
Southern Taiwan Science Park Bureau, National Science and Technology Council	Operation and management of the advanced reclaimed water management facilities, water distribution reservoir and water distribution network in Yongkang, Tainan City	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	December 2022 to December 2037
Penghu Branch, Office for District 7, Taiwan Water Corporation	Construction, operation and maintenance of an additional 6,000-metric ton seawater desalination plant in Magong	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	October 2023 to October 2038

(II) Contingent liabilities:

1. As of December 31, 2023 and 2022, the Consolidated Company issued notes for deposits paid in the amounts of NTD 1,475,728 thousand and NTD 1,642,533 thousand, respectively, due to contracting, loans and other operational needs.
2. As of December 31, 2023 and 2022, the Consolidated Company had banks issue performance bonds in the amounts of NTD 1,232,710 thousand and NTD 1,471,780 thousand, respectively, due to the needs for performance guarantee.
3. On January 19, 2019, the Company signed contracts with the for the “Turnkey Project on the Construction of Water Recycling Center and Reclaimed Water Treatment Plant in Yongkang, Tainan City” and the “Turnkey Project on the Construction of Advanced Reclaimed Water Treatment Facilities, Water Distribution Reservoir and Water Distribution Network in Yongkang, Tainan City.” As of December 31, 2023, NTD 515,000 thousand has been deducted by the owner for failure to meet the construction schedule (accounted for as accounts receivable). However, the construction process of the projects was affected by adjacent projects, the COVID-19 pandemic, complicated review procedures due to inconsistency of the GIS maps provided by the Southern Taiwan Science Park Bureau, the weather, and administrative factors, causing delays in the construction schedule. Therefore, the Company is currently actively requesting the owner for an extension of the construction schedule not attributable to the Company. After considering the above-mentioned factors not attributable to the Company, the Company estimated a fine of NTD 79,156 thousand (accounted for as a deduction of the operating revenue for 2022) as a result of the projects failing to meet the deadline for performance. Based on the attorney’s assessment and the explanation in a letter from the competent authority, the extension of the construction schedule requested was justified and not baseless. On January 5, 2023, the Consolidated Company filed an application for mediation, but the final decision is still subject to the result of subsequent remedy.
4. Because the former owner and former plant manager of Lea Lea Environmental Enterprise Co., Ltd. (hereinafter “Lea Lea Environmental”) were alleged to have violated the Waste Disposal Act, the Changhua District Prosecutors Office named Lea Lea Environmental as a co-defendant. On December 16, 2021, Lea Lea Environmental was granted a deferred prosecution of 2 years by a prosecutor of the Changhua District Prosecutors Office. During this period, the Consolidated Company was required to improve the environment and equipment of the original plant in accordance with the improvement plan approved by the Environmental Protection Bureau, Changhua County. On April 7, 2023, the Changhua

District Prosecutors Office revoked the deferred prosecution on the grounds that the Consolidated Company failed to obtain approval from the competent authority within the period. The Consolidated Company filed an appeal, claiming that it had completed all the improvements required by the order of the deferred prosecution, and that it was unable to obtain approval from the competent authority during the period due to factors not attributable to the Consolidated Company. On December 15, 2023, the Consolidated Company was granted a one-year deferred prosecution by a prosecutor of the Changhua District Prosecutors Office. The Consolidated Company was required to pay NTD 100 thousand to the public treasury within three months from the date of confirmation of the deferred prosecution. The improvements and acquisition of approval and other requirements under the original deferred prosecution would not affect the effect of the current deferred prosecution. The Consolidated Company is also required to work with the former owner to complete the disposal of illegal waste by December 31, 2022 in accordance with the waste disposal plan approved by the Environmental Protection Bureau, Yunlin County. On January 16, 2023, the Consolidated Company received approval for the completion of disposal from the Environmental Protection Bureau, Yunlin County.

5. As of December 31, 2023, as a result of its contract with the Taipei City Government on the "Operation and Maintenance of the Dihua Wastewater Treatment Plant – Phase 6," the Company was fined NTD 23,750 thousand by the owner for breach of the contract due to the failure of the equipment and water quality to meet the standards in the Water Pollution Control Act. but the criteria for imposition of part of the fines are still disputed. Based on the results of previous mediation for the same type of fine, the amount of the relevant fine was estimated to be NTD 11,875 thousand (accounted for as a deduction of the operating revenue for 2022). The Company will subsequently file an application for mediation, but the final decision is still subject to the result of subsequent remedy.

X. Material losses from disasters: None.

XI. Material subsequent events

On March 14, 2024, the Board of Directors of the Consolidated Company adopted a resolution for the disposal of nine lots of land including Land No. 1209 in Zhuanzidi Section, Ligang Township, Pingtung County to non-related parties at a total contract price of NTD 326,058 thousand. In addition, the Consolidated Company intends to sign a contract with non-related parties within a total contract price of NTD 300,000 thousand for the purchase and sale of five lots of land and buildings including Land No. 1215 in Zhuanzidi Section, Ligang Township, Pingtung County, and six lots of land and buildings including Land No. 84 in Yonglong Section, Yanpu Township.

XII. Others

The following is a summary of the expenses of employee benefits, depreciation, depletion and amortization by function:

Function / Nature	2023			2022		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Salary expense	304,098	93,998	398,096	325,106	93,270	418,376
Labor and health insurance expenses	34,718	8,075	42,793	38,590	7,946	46,536
Pension expense	15,672	4,008	19,680	17,754	4,181	21,935
Other employee benefit expenses	17,900	6,685	24,585	19,851	8,029	27,880
Depreciation expense	34,760	5,227	39,987	34,842	5,380	40,222
Amortization expense	121,964	25,477	147,441	122,843	30,456	153,299

XIII. Note disclosures

(I) Information of significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Consolidated Company is required to further disclose the following information of significant transactions in 2023:

1. Funds loaned to others: None.
2. Endorsements/guarantees to others:

Unit: NTD thousand

No.	Name of company providing endorsement/ guarantee	Recipient of endorsement/ guarantee		Limit of endorsement/ guarantee to a single company	Maximum balance of endorsement/ guarantee for the current period	Balance of endorsement/ guarantee at end of the period	Actual amount disbursed	Amount of endorsement/ guarantee secured by property	Cumulative amount of endorsements / guarantees as a percentage of the net value of the financial statements for the most recent period	Maximum amount of endorsement/ guarantee	Endorsement / Guarantee from the parent company to a subsidiary	Endorsement / Guarantee from a subsidiary of the parent company	Endorsement / Guarantee to China
		Company name	Relationship										
0	Forest Water Environmental Engineering Co., Ltd.	Grain Forest Green Energy Co., Ltd.	2	1,157,313	407,000	375,278	375,278	-	6.49%	2,893,284	Y	N	N
0	Forest Water Environmental Engineering Co., Ltd.	Top Forest Water Co., Ltd.	2	1,157,313	100,000	100,000	-	-	1.73%	2,893,284	Y	N	N

Note 1: 0 represents the Company.

Note 2: It is sufficient to indicate only the number of one of the following types of relationship between the provider and recipient of endorsement/guarantee:

(1) A company engaging in business transactions with the Company.

(2) A company where the Company directly and indirectly holds more than 50% of the voting shares.

(3) A company directly and indirectly holding more than 50% of the voting shares of the Company.

(4) Between companies where the Company directly and indirectly holds no less than 90% of the voting shares.

(5) A company mutually guaranteed according to a contract between peer companies or joint applicants due to the need for project contracting.

(6) A company receiving endorsements/guarantees from all contributing shareholders in proportion to their shareholdings due to a relationship of joint investment.

Note 3: The total amount of liability for endorsement/guarantee and the limit of endorsement to a single company, as set forth in the Regulations Governing Endorsements/Guarantees of the Company, are as follows:

(1) The total amount of liability for external endorsements/guarantees shall not exceed 50% of the Company's net value.

(2) The amount of endorsements/guarantees to a single company shall not exceed 20% of the

Company's net value of the current period.

3. Securities held at end of the period (excluding the equity of investee subsidiaries, associates and joint ventures):

Unit: NTD thousand

Holding company	Type and name of securities	Relationship with the securities issuer	Account title	End of period: Number of shares (unit)	Carrying amount	Shareholding (%)	Fair value	Highest shareholding or contribution during the period	Remarks
Forest Water Environmental Engineering Co., Ltd.	Millenmin Ventures Inc.	-	Financial assets measured at fair value through other comprehensive income – non-current	1,648,000	-	3.91 %	-	3.91%	
Forest Water Environmental Engineering Co., Ltd.	Taiya Renewable Energy Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income – non-current	1,693,000	60,660	1.19 %	60,660	1.19%	
Re-use Environmental Co., Ltd.	Mega Diamond Money Market Fund	-	Financial assets measured at fair value through profit/loss – current	3,947,689	50,923	- %	50,923	- %	
Re-use Environmental Co., Ltd.	Teamphon Energy Co., Ltd.	-	Financial assets measured at fair value through profit/loss – current	489,000	12,738	1.52 %	12,738	1.52%	
Orient Forest Development Enterprise Co., Ltd.	Jih Sun Money Market Fund	-	Financial assets measured at fair value through profit/loss – current	3,334,156	50,861	- %	50,861	- %	
Orient Forest Development Enterprise Co., Ltd.	Capital Money Market Fund	-	Financial assets measured at fair value through profit/loss – current	4,292,113	71,193	- %	71,193	- %	
Green Forest Development Enterprise Co., Ltd.	Mega Diamond Money Market Fund	-	Financial assets measured at fair value through profit/loss – current	7,022,141	90,582	- %	90,582	- %	
Re-use Environmental Co., Ltd.	Yung Fu Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income – non-current	535,415	10,393	0.76 %	10,393	0.76%	
Modern Rich Investment Limited	Tien Li Offshore Wind Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income – non-current	1,280,000	63,155	1.83 %	63,155	1.83%	
Modern Rich Investment Limited	Asia Renewable Energy (Cayman) Ltd	-	Financial assets measured at fair value through other comprehensive income – non-current	2,820,278	38,581	2.77 %	38,581	2.77%	

4. Cumulative amount of purchase or sale of the same securities equaling or exceeding NTD 300 million or 20% of the paid-in capital: None.
5. Amount of real property acquired equaling or exceeding NTD 300 million or 20% of the paid-in capital: None.
6. Amount of real property disposed of equaling or exceeding NTD 300 million or 20% of the paid-in capital: None.

7. Amount of purchase/sale of goods from/to related parties equaling or exceeding NTD 100 million or 20% of the paid-in capital:

Unit: NTD thousand

Purchasing (Selling) company	Name of counterparty	Relationship	Transaction details				Difference of the transaction terms with those of regular transactions and the reason for such difference		Notes/Accounts receivable (payable)		Remarks
			Purchase (Sale)	Amount	Share of total purchase (sale)	Loan period	Unit price	Loan period	Balance	Share of total notes/ accounts receivable (payable)	
Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	Parent company to subsidiary	Sales	181,403	7.94 %	Priced on a monthly basis	-	-	32,739	3.20%	

Note 1: Written off during preparation of the consolidated financial report.

8. Payments receivable from related parties equaling or exceeding NTD 100 million or 20% of the paid-in capital: None.
9. Transactions of derivative instruments: None.
10. Business relationship and important transactions between the parent company and subsidiaries:

Unit: NTD thousand

No.	Name of transacting party	Counterparty	Relationship between the transacting parties	Transaction details			
				Title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets
0	Forest Water Environmental Engineering Co., Ltd.	Orient Forest Development Enterprise Co., Ltd.	1	Sales revenue	86,134	After the related party requests payment from the owner, the Company is notified to receive payment 10 days after issuing an invoice.	2.34%
0	Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	1	Sales revenue	181,403	〃	4.93%
0	Forest Water Environmental Engineering Co., Ltd.	Orient Forest Development Enterprise Co., Ltd.	1	Notes and accounts receivable	25,164	〃	0.16%
0	Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	1	Notes and accounts receivable	32,739	〃	0.21%

Note 1. The number is indicated as follows:

1. 0 represents the parent company.
2. Subsidiaries are numbered, in order, from 1 by company type.

Note 2. The types of relationship between the transacting parties are indicated as follows:

1. The parent company to a subsidiary.
2. A subsidiary of the parent company.

(II) Information of investee companies:

The following is the information on the Consolidated Company's investee companies in 2023:

Unit: NTD thousand/(Foreign currency)

Name of investor company	Name of investee company	Location	Primary business	Initial amount of investment		Held at end of the period			Highest shareholding or contribution during the period	Profit/Loss of investee company in the current period	Profit/Loss on investments recognized in the current period	Remarks
				End of the current period	End of the previous year	Number of shares	Percentage	Carrying amount				
Forest Water Environmental Engineering Co., Ltd.	Orient Forest Development Enterprise Co., Ltd.	ROC	Water treatment, piping, wastewater (sewage) treatment, etc.	1,773,984	1,773,984	223,013,980	100.00%	3,092,413	100.00%	177,641	177,641	
Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	ROC	Water treatment, piping, wastewater (sewage) treatment, etc.	1,797,842	1,797,842	218,403,619	70.00%	2,854,208	70.00%	295,666	206,966	
Forest Water Environmental Engineering Co., Ltd.	Perfection Forest Development Enterprise Co., Ltd.	ROC	Water treatment, piping, wastewater (sewage) treatment, etc.	200,000	190,000	20,000,000	100.00%	73,969	100.00%	(39,178)	(39,178)	
Forest Water Environmental Engineering Co., Ltd.	Top Forest Water Co., Ltd.	ROC	Water treatment, treatment of reclaimed water, etc.	70,000	-	7,000,000	70.00%	69,164	70.00%	(1,195)	(836)	
Forest Water Environmental Engineering Co., Ltd.	Easy Development Co., Ltd.	ROC	Waste disposal, etc.	139,990	139,990	11,000,000	100.00%	5,611	100.00%	(3,976)	(3,976)	
Forest Water Environmental Engineering Co., Ltd.	Grain Forest Green Energy Co., Ltd.	ROC	Power generation from renewable energy	318,500	318,500	31,850,000	70.00%	157,968	70.00%	(13,167)	(9,217)	
Forest Water Environmental Engineering Co., Ltd.	Eastern Forest Environmental Technology Co., Ltd.	ROC	Environmental health, pollution prevention, etc.	35,000	35,000	3,500,000	70.00%	12,893	70.00%	(7,099)	(4,970)	
Forest Water Environmental Engineering Co., Ltd.	Re-use Environmental Co., Ltd.	ROC	Waste disposal, etc.	318,248	318,248	3,427,710	50.41%	349,686	50.41%	104,743	42,632	
Forest Water Environmental Engineering Co., Ltd.	Rising Environmental Co., Ltd.	ROC	Waste disposal, etc.	500	500	50,000	100.00%	456	100.00%	1	1	
Forest Water Environmental Engineering Co., Ltd.	Lea Lea Environmental Enterprise Co., Ltd.	ROC	Waste disposal, etc.	215,549	206,049	5,092,000	95.00%	112,593	95.00%	(26,279)	(30,008)	
Forest Water Environmental Engineering Co., Ltd.	Modern Rich Investment Limited	Samoa	Investments in production and financial businesses	258,795 (Note 1) (USD5,610,000) (RMB20,000,000)	260,443 (Note 1) (USD5,610,000) (RMB20,000,000)	8,568,730	100.00%	213,645	100.00%	5,491	5,491	
Eastern Forest Environmental Technology Co., Ltd.	Li Xing Investment Co., Ltd.	Samoa	Investments in production and financial businesses	- (USD-)	16,276(Note 1) (USD530,000)	-	- %	-	100.00%	(325)	(325)	
Li Xing Investment Co., Ltd.	Forest Water Investment Co., Ltd.	Samoa	Investments in production and financial businesses	- (USD-)	15,662(Note 1) (USD510,000)	-	- %	-	100.00%	(277)	(277)	
Modern Rich Investment Limited	Faith Honest International Investment Limited	Samoa	Investments in production and financial businesses	86,694(Note 1) (USD5,000) (RMB20,000,000)	88,314(Note 1) (USD5,000) (RMB20,000,000)	2,963,730	100.00%	111,363	100.00%	5,533	5,533	
Faith Honest International Investment Limited	Loyal Sheen International Limited	BVI	Investments in production and financial businesses	86,540(Note 1) (RMB20,000,000)	88,160(Note 1) (RMB20,000,000)	40	40.00%	111,343	40.00%	17,040	5,533	Associate

Note 1: Translated by multiplying the investee company's original amount of investment in the original currency by the exchange rate at the end of the period.

Note 2: Written off during preparation of the consolidated financial report.

(III) Information of investments in Mainland China:

1. Names of investee companies in China, their primary business, and other relevant information:

Unit: NTD thousand/(Foreign currency) thousand

Name of investee company in China	Primary business	Paid-in capital	Form of investment	Accumulated amount of investments remitted from Taiwan at beginning of the current period	Amount of investments remitted or recovered in the current period		Accumulated amount of investments remitted from Taiwan at end of the current period	Profit/Loss of investee company in the current period	The Company's shareholding in direct or indirect investments	Highest shareholding or contribution during the period	Profit/Loss on investments recognized in the current period	Carrying value of investments at end of the period	Profit on investments received as of the current period
					Remitted	Recovered							
Anning (Beijing Holdings) Haoyuan Water Co., Ltd. (Note 3)	Water treatment, wastewater (sewage) treatment, etc.	101,685 (RMB23,500)	(Note 1)	86,540 (RMB20,000) (Note 2)	-	-	86,540 (RMB20,000) (Note 2)	18,557 (RMB4,249)	40.00%	40.00%	7,423 ((RMB1,700)	85,949 (RMB19,863)	9,440 (RMB2,180)
Beijing Forest Water Environment Technology Co., Ltd. (Note 3)	Soil restoration project and related treatment	19,093 (RMB4,459)	(Note 1)	13,875 (RMB3,240) (Note 2)	-	2,615 (USD85) (Note 4)	11,261 (RMB2,630) (Note 2)	111 (RMB25)	-%	49.00%	54 (RMB12)	- (RMB-)	-

Note 1: The investment is made by investing in companies in a third area and then reinvesting in companies in China.

Note 2: Translated by multiplying the Company's actual amount of investment in the original currency by the exchange rate at the end of the period.

Note 3: The profit/loss on investment is recognized according to the indirect shareholding as audited by the CPAs of the parent company in Taiwan.

Note 4: On April 14, 2022, Beijing Forest Water Environment Technology Co., Ltd. underwent liquidation by a resolution of its shareholders' meeting. On April 19, 2023, it remitted liquidated share payments amounting to USD 84,506 to its investor company Forest Water Investment Co., Ltd.

2. Limit on the amount of investments in China:

Accumulated amount of investments remitted from Taiwan to China at end of the current period	Amount of investments approved by the Investment Commission, MOEA	Limit on amount of investments in China as required by the Investment Commission, MOEA
86,540 (RMB20,000)	86,540 (RMB20,000)	3,471,940 (Note 1)

Note 1: Calculation of the limit: Net equity of the current period x 60% = NTD 5,786,567 thousand x 60% = NTD 3,471,940 thousand.

3. Significant transactions with the investee companies in China: None.

(IV) Information of major shareholders:

Name of major shareholder / Shares	Number of shares held	Shareholding (%)
Ho Ching Enterprises Co., Ltd.	105,220,007	66.87%

XIV. Segment information

(I) General information

The reportable segment of the Consolidated Company is a professional sewage treatment department, which mainly engages in sewage treatment, piping, wastewater (sewage) treatment, and wholesale of pollution prevention equipment. In addition, the information on segmental profits/losses, segmental assets and segmental liabilities is consistent with that in the financial statements. For more information, see the balance sheet and statement of comprehensive income.

(II) Information on products and services:

For information on the products and services from which the Consolidated Company's revenues from external customers arise, see Note 6(16).

(III) Information on territory

The Consolidated Company's primary operations are located in Taiwan. As of 2023 and 2022, all of its revenues from external customers are located in Taiwan.

(IV) Information of major customers

	2023	2022
Customer A	$ 673,917	726,220
Customer B	552,208	522,050
Customer D	554,461	846,527
Customer E	497,928	234,671
	$ 2,278,514	2,329,468