

**FOREST WATER ENVIRONMENTAL  
ENG'G CO., LTD.**

**Parent Company Only Financial  
Statements and CPA's Audit Report**

**2024 and 2023**

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## **CPA's Audit Report**

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

### **Audit Opinions**

We have audited the balance sheets of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. as of December 31, 2024 and 2023, its statements of comprehensive income, statements of changes in equity and statements of cash flows for the periods from January 1 to December 31, 2024 and 2023, and the notes to its parent company only financial statements (including the summary of significant accounting policies).

In our opinion, with respect to all material aspects, the foregoing parent company only financial statements was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and thus provided a fair presentation of the parent company only financial positions of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. as of December 31, 2024 and 2023, as well as its financial performance and cash flows for the periods from January 1 to December 31, 2024 and 2023.

### **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 Parent company only 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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. 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 parent company only financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. for 2024. Such matters were addressed in the context of our audit of the parent company only financial statements 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 contracts, see “Revenues from customer contracts” under Note 4(14) to the parent company only financial statements. For uncertainties of the assumptions and estimates involved in the recognition of revenues from engineering contracts, see Note 5(1). For disclosures related to contract revenues, see Note 6(12).

Description of key audit matters:

The primary business of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. 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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. 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 parent company only financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. 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.

## **Responsibilities of the Management and Governing Bodies for Parent Company Only Financial Statements**

The management is responsible for preparing the parent company only financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintaining the necessary internal control related to preparation of the parent company only financial statements to ensure that the parent company only financial statements is free of material misstatements due to fraud or error.

During preparation of the parent company only financial statements, the management is also responsible for evaluating FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.'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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD., or there are no other actual feasible solutions other than liquidation or cessation of operation.

The governing bodies (including the Audit Committee) of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. are responsible for supervising the process of financial reporting.

## **Responsibilities of CPAs for the Audit of Parent Company Only Financial Statements**

The purpose of our audit of the parent company only financial statements is to obtain reasonable assurance about whether the parent company only financial statements 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 parent company only financial statements 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 parent company only financial statements.

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 parent company only financial statements 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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.
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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. 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 parent company only financial statements 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 FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. is no longer able to remain a going concern.
5. We assess the overall presentation, structure and contents of the parent company only financial statements (including relevant notes) and whether the parent company only financial statements provides a fair presentation of the relevant transactions and events.
6. We acquire sufficient and appropriate audit evidence of the financial information of investee companies accounted for using equity method to provide opinions regarding the parent company only financial statements. We are responsible for guidance, supervision and implementation in relation to audit cases and for formation of audit opinions for FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

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 parent company only financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. for 2024 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 13, 2025		

# FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

## Balance Sheet

December 31, 2024 and 2023

Unit: NTD thousand

Assets		2024.12.31		2023.12.31	
		Amount	%	Amount	%
<b>Current assets:</b>					
1100	Cash and cash equivalents (Note 6(1))	\$ 1,458,539	15	1,003,141	9
1140	Contract assets – current (Notes 6(12) and 7)	821,099	8	498,336	5
1150	Net notes receivable (Notes 6(2), 6(12) and 7)	77,136	1	9,096	-
1170	Accounts receivable, net (Notes 6(2), 6(12), 7 and 9)	616,413	6	1,013,183	10
1220	Income tax assets for the period	1,711	-	692	-
1421	Prepayments (Note 7)	174,420	2	143,248	1
1476	Other financial assets – current (Notes 7 and 8)	357,497	4	511,912	5
1479	Other current assets	20,208	-	12,328	-
		<u>3,527,023</u>	<u>36</u>	<u>3,191,936</u>	<u>30</u>
<b>Non-current assets:</b>					
1510	Financial assets measured at fair value through profit or loss – non-current (Notes 6(15) and 13)	12,331	-	-	-
1517	Financial assets measured at fair value through other comprehensive income – non-current (Notes 6(15) and 13)	64,808	1	60,660	-
1551	Investments accounted for using equity method (Note 6(3))	5,990,228	62	6,942,606	65
1600	Property, plant and equipment (Notes 6(4) and 8)	41,057	-	373,503	4
1755	Right-of-use assets (Note 7)	5,548	-	1,329	-
1840	Deferred income tax assets (Note 6(9))	73,117	1	82,214	1
1980	Other financial assets – non-current	11,541	-	10,820	-
		<u>6,198,630</u>	<u>64</u>	<u>7,471,132</u>	<u>70</u>
<b>Total assets</b>		<u><b>\$ 9,725,653</b></u>	<u><b>100</b></u>	<u><b>10,663,068</b></u>	<u><b>100</b></u>



**FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.**

**Balance Sheet (continued)**

**December 31, 2024 and 2023**

**Unit: NTD thousand**

		<b>2024.12.31</b>		<b>2023.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Liabilities and equity</b>					
<b>Current liabilities:</b>					
2100	Short-term loans (Note 6(6))	\$ 1,025,000	11	1,711,168	16
2111	Short-term notes payable (Note 6(5))	730,000	8	846,000	8
2120	Financial liabilities measured at fair value through profit or loss – current (Note 6(15))	-	-	4,590	-
2130	Contract liabilities – current (Notes 6(12) and 7)	49,113	1	44,856	-
2151	Notes payable (Note 7)	86,670	1	215,136	2
2170	Accounts payable (Note 7)	811,819	8	709,089	7
2219	Other payables (Notes 6(4), 6(13), 6(15) and 7)	138,273	1	188,438	2
2250	Liability provision – current	57,683	1	210,099	2
2280	Lease liabilities – current (Note 7)	2,920	-	457	-
2321	Corporate bonds maturing or puttable within one year or operating cycle (Note 6(7))	-	-	866,052	8
2399	Other current liabilities	2,634	-	6,493	-
		<u>2,904,112</u>	<u>31</u>	<u>4,802,378</u>	<u>45</u>
<b>Non-current liabilities:</b>					
2530	Corporate bonds payable (Note 6(7))	249,617	3	-	-
2580	Lease liabilities – non-current (Note 7)	2,682	-	820	-
2645	Deposits received	7,295	-	73,303	1
		<u>259,594</u>	<u>3</u>	<u>74,123</u>	<u>1</u>
	<b>Total liabilities</b>	<b><u>3,163,706</u></b>	<b><u>34</u></b>	<b><u>4,876,501</u></b>	<b><u>46</u></b>
<b>Equity (Notes 6(7) and 6(10)):</b>					
3110	Common share capital	1,808,524	18	1,573,490	15
3200	Capital reserves	4,532,939	46	4,084,257	38
3310	Legal reserves	72,589	1	68,613	1
3320	Special reserves	38,729	-	59,185	-
3350	Undistributed earnings	167,331	2	39,751	-
3400	Other equity	(58,165)	(1)	(38,729)	-
	<b>Total equity</b>	<b><u>6,561,947</u></b>	<b><u>66</u></b>	<b><u>5,786,567</u></b>	<b><u>54</u></b>
	<b>Total liabilities and equity</b>	<b><u>\$ 9,725,653</u></b>	<b><u>100</u></b>	<b><u>10,663,068</u></b>	<b><u>100</u></b>

**(Please read the attached notes to the parent company only financial statements)**

**Chairman: Kuo, Yu-Chi**

**President: Wu, Jen-Chieh**

**Accounting Manager: Yang, Hsin-Wen**

# FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

## Statement of Comprehensive Income

January 1 to December 31, 2024 and 2023

Unit: NTD thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(12) and 7)	\$ 1,867,429	100	2,284,438	100
5000	Operating cost (Notes 6(8) and 7)	1,860,101	100	2,404,338	105
	Gross operating profit (loss)	7,328	-	(119,900)	(5)
6000	Operating expenses (Notes 6(8), 6(13) and 7)	152,023	8	130,311	6
	Net operating loss	(144,695)	(8)	(250,211)	(11)
	Non-operating revenues and expenses:				
7100	Interest income (Note 6(14))	11,588	1	6,150	-
7010	Other income (Note 6(14))	260	-	651	-
7020	Other profits and losses (Notes 6(7) and 6(14))	5,290	-	18,824	1
7050	Financial cost (Notes 6(7), 6(14) and 7)	(71,214)	(4)	(82,543)	(4)
7370	Share of profits of subsidiaries accounted for using equity method (Note 13)	375,111	20	344,546	15
	Total non-operating revenues and expenses	321,035	17	287,628	12
	Net profit before tax from continuous operations	176,340	9	37,417	1
7950	Less: Income tax expenses (benefits) (Note 6(9))	9,153	-	(2,334)	-
	Net profit for the period	167,187	9	39,751	1
8300	Other comprehensive income:				
8310	Items not reclassified to profit or loss				
8316	Unrealized valuation profit or loss on investments in equity instruments measured at fair value through other comprehensive income	4,148	-	37,297	2
8330	Share of other comprehensive income of subsidiaries accounted for using equity method	(26,842)	(1)	13,710	1
8349	Less: Income tax related to items not reclassified	-	-	-	-
	Total items not reclassified to profit or loss	(22,694)	(1)	51,007	3
8360	Items likely to be subsequently reclassified to profit or loss				
8380	Share of other comprehensive income of subsidiaries accounted for using equity method	3,258	-	(1,283)	-
8399	Less: Income tax related to items likely to be reclassified	-	-	-	-
	Total items likely to be subsequently reclassified to profit to loss	3,258	-	(1,283)	-
8300	Other comprehensive income for the period	(19,436)	(1)	49,724	3
	Total comprehensive income for the period	\$ 147,751	8	\$ 89,475	4
	Earnings per share (Note 6(11))				
9750	Basic earnings per share (NTD)	\$ 0.97		\$ 0.26	
9850	Diluted earnings per share (NTD)	\$ 0.90		\$ 0.23	

(Please read the attached notes to the parent company only financial statements)

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

**FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.**

**Statement of Changes in Equity**

**January 1 to December 31, 2024 and 2023**

**Unit: NTD thousand**

	<u>Share capital</u>		<u>Retained earnings</u>			<u>Other equity</u>		<u>Total equity</u>
						Exchange differences on translation of financial statements of foreign operations	Unrealized profit or loss on financial assets measured at fair value through other comprehensive income	
	Common share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings			
<b>Balance as of January 1, 2023</b>	\$ 1,442,492	3,819,082	278,699	59,185	(210,086)	(1,264)	(87,189)	5,300,919
Net profit for the period	-	-	-	-	39,751	-	-	39,751
Other comprehensive income for the period	-	-	-	-	-	(1,283)	51,007	49,724
Total comprehensive income for the period	-	-	-	-	39,751	(1,283)	51,007	89,475
Allocation and distribution of earnings:								
Accumulated deficit covered by legal reserve	-	-	(210,086)	-	210,086	-	-	-
Cash capital increase	103,450	196,555	-	-	-	-	-	300,005
Conversion of convertible bonds	27,548	68,620	-	-	-	-	-	96,168
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
Net profit for the period	-	-	-	-	167,187	-	-	167,187
Other comprehensive income for the period	-	-	-	-	-	3,258	(22,694)	(19,436)
Total comprehensive income for the period	-	-	-	-	167,187	3,258	(22,694)	147,751
Allocation and distribution of earnings:								
Losses covered with legal reserves	-	-	3,976	-	(3,976)	-	-	-
Cash dividends of ordinary shares	56,087	-	-	-	(56,087)	-	-	-
Reversal of special reserve	-	-	-	(20,456)	20,456	-	-	-
Conversion of convertible bonds	178,947	448,682	-	-	-	-	-	627,629
<b>Balance as of December 31, 2024</b>	<b>\$ 1,808,524</b>	<b>4,532,939</b>	<b>72,589</b>	<b>38,729</b>	<b>167,331</b>	<b>711</b>	<b>(58,876)</b>	<b>6,561,947</b>

(Please read the attached notes to the parent company only financial statements)

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

# FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

## Statement of Cash Flows

January 1 to December 31, 2024 and 2023

Unit: NTD thousand

	2024	2023
<b>Cash flows from operating activities:</b>		
Pre-tax net profit for the period	\$ 176,340	37,417
<b>Adjustments:</b>		
Profits, expenses and losses		
Depreciation expense	12,350	17,085
Net gain on financial assets and liabilities measured at fair value through profit or loss	(8,325)	(10,910)
Interest expense	65,164	75,545
Interest income	(11,588)	(6,150)
Share of profits of subsidiaries accounted for using equity method	(375,111)	(344,546)
Loss on disposal and obsolescence of property, plant and equipment	5,241	323
Loss (gain) on lease modification	57	(450)
Reversal of provisions	(148,886)	(62,016)
Total profits, expenses and losses	(461,098)	(331,119)
Changes in assets/liabilities related to operating activities:		
Financial assets mandatorily measured at fair value through profit or loss	(9,500)	-
Contract assets	(322,763)	421,883
Notes receivable	(68,040)	4,855
Accounts receivable	396,770	(95,832)
Prepayments	(31,172)	18,420
Other current assets	(7,880)	17,774
Other financial assets	93,350	(53,328)
Contract liabilities	4,257	(76,616)
Notes payable	(128,466)	(76,394)
Accounts payable	102,730	(59,272)
Other payables	17,192	10,076
Liability provision	(3,530)	(5,513)
Other current liabilities	(3,859)	(7,931)
Total adjustments	(422,009)	(232,997)
Cash outflow from operations	(245,669)	(195,580)
Interest received	11,587	6,124
Interest paid	(61,423)	(60,302)
Income tax paid	(1,075)	(527)
<b>Net cash outflow from operating activities</b>	<b>(296,580)</b>	<b>(250,285)</b>

**FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.****Statement of Cash Flows (continued)****January 1 to December 31, 2024 and 2023****Unit: NTD thousand**

	<b>2024</b>	<b>2023</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property, plant and equipment	(67,193)	(6,301)
Disposal of property, plant and equipment	326,368	10
Dividends received	708,160	255,950
Other financial assets	60,345	(538)
<b>Net cash inflow from investing activities</b>	<b>1,027,680</b>	<b>249,121</b>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(686,168)	181,168
Decrease in short-term notes payable	(116,000)	(290,000)
Repayment of long-term loans	-	(39,990)
Increase (decrease) in guaranteed deposits received	(66,008)	6,313
Repayment of principal of lease	(3,271)	(5,207)
Cash capital increase	-	300,005
Acquisition of equity of subsidiaries	(68,500)	(89,500)
Refund of payment for shares for capital reduction by subsidiaries	664,245	-
<b>Net cash inflow (outflow) from financing activities</b>	<b>(275,702)</b>	<b>62,789</b>
Increase in cash and cash equivalents for the period	455,398	61,625
Beginning balance of cash and cash equivalents	1,003,141	941,516
Ending balance of cash and cash equivalents	<b>\$ 1,458,539</b>	<b>1,003,141</b>

**(Please read the attached notes to the parent company only financial statements)****Chairman: Kuo, Yu-Chi****President: Wu, Jen-Chieh****Accounting Manager: Yang, Hsin-Wen**

# **FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.**

## **Notes to the Parent company only Financial statements**

**2024 and 2023**

**(All amounts are in NTD thousand, unless otherwise specified)**

### **I. History of the Company**

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (hereinafter the “Company”) was incorporated on June 10, 2004, with its registered address at 3F, No. 99, Jilin Rd., Zhongshan Dist., Taipei City. The scope of the primary business of the Company includes engineering projects for environmental protection and sewage treatment.

### **II. Date and procedures of approval of the financial statements**

This parent company only financial statements were approved and released by the Board of Directors on March 13, 2025.

### **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 Company began to apply the following newly amended IFRSs on January 1, 2024, and there has been no material effect on the consolidated financial statements.

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

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

The Company has assessed that the application of the following newly amended IFRSs, which came into effect on January 1, 2025, is unlikely to have any material effect on the consolidated financial statements.

- Amendments to IAS 21 “Lack of Exchangeability”

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

The 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 statements.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

<b>New or amended standards</b>	<b>Major amendments</b>	<b>Effective date by IASB</b>
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p>The new standard introduces three categories of income and expenses, two income statement subtotals and one single note on management performance measures. The three amendments, combined with enhanced guidance on how to disaggregate information, set the stage for better and more consistent information for users, and will affect all the entities.</p> <ul style="list-style-type: none"> <li>• A more structured income statement: under current standards, companies use different formats to present their results, making it difficult for investors to compare financial performance across companies. The new standard promotes a more structured income statement, introducing a newly defined “operating profit” subtotal and a requirement for all income and expenses to be allocated between three new distinct categories based on a company’s main business activities.</li> <li>• Management performance measures (MPM): the new standard introduces a definition for management performance measures, and requires companies to explain in a single note to the financial statements why the measure provides useful information, how it is calculated and reconcile it to an amount determined under IFRS accounting standards.</li> <li>• Greater disaggregation of information: the new standard includes enhanced guidance on how companies group information in the financial statements. This includes guidance on whether information is included in the primary financial statements or is further disaggregated in the notes.</li> </ul>	January 1, 2027

## **Notes to the Parent company only Financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

The Company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

The Group expected that the following new and revised standards that have not yet been endorsed will not have a significant impact on its financial position and financial performances.

- 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
- IFRS 19 "Subsidiaries without Public Accountability"
- Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"
- Annual Improvements to IFRS Standards
- Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"

### **IV. Summary of material accounting policies**

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

#### **(I) Statement of compliance**

This parent company only financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

#### **(II) Basis of preparation**

##### **1. Basis of measurement**

Except for the following major titles of the balance sheet, this parent company only financial statements have been prepared on the basis of historical cost:

- (1) Financial instruments measured at fair value through profit or loss;
- (2) Financial assets measured at fair value through other comprehensive income

##### **2. Functional currency and presentation currency**

The Company uses the currency of the primary economic environment where its operations are located as its functional currency. This parent company only financial statements are presented in NTD, which is our functional currency. The unit for all financial information presented in NTD is NTD thousand.

#### **(III) Foreign currency**



**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

**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 or 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 differences related to the foreign operation are reclassified in the profit or loss. In the case of a partial disposal of the investment of an associate or joint venture that includes foreign operations, the related accumulated exchange differences are reclassified as profit or 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.

**(IV) 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

**Notes to the Parent company only Financial statements of FOREST WATER  
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the current ones are classified as non-current:

1. The assets are expected to be realized in the Company's normal operating cycle 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 (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve 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 Company's normal operating cycle;
2. the liabilities are held primarily for the purpose of transaction;
3. the liabilities are due to be settled within twelve months after the reporting period ; or
4. The Company does not have the right at the end of the reporting period to defer the settlement of the liability for at least twelve months after the reporting period..

**(V) 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.

**(VI) 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 Company becomes a party to the contractual terms of the financial instrument. Financial assets or liabilities not measured at fair value through profit or 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 receivables 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 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

**Notes to the Parent company only Financial statements of FOREST WATER  
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amortized cost, investments in equity instruments measured at fair value through other comprehensive income, or financial assets measured at fair value through profit or loss. The 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 or 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 or loss. Upon derecognition, profits or losses are recognized in profit or 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 or 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 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 an 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 or loss. The remaining net profit or loss is recognized in other comprehensive income and is not reclassified as profit or loss.

**Notes to the Parent company only Financial statements of FOREST WATER  
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Dividend income from equity investments is recognized on the date when the Company is entitled to receive dividends (usually the ex-dividend date).

**(3) Financial assets measured at fair value through profit or 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 or loss, including derivative financial assets. The 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 or loss at the time of initial recognition, in order to eliminate or significantly reduce any accounting mismatch.

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

**(4) Impairment of financial assets**

The 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 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 Company.

If a contractual payment is overdue for more than 121 days, the 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 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

**Notes to the Parent company only Financial statements of FOREST WATER  
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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 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 Company according to the contract and the cash flow expected to be received by the Company. The expected credit loss is discounted at the effective interest rate of the financial asset.

On each reporting date, the 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 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 or loss and recognized in other comprehensive income (without reducing the carrying amount of the assets).

**Notes to the Parent company only Financial statements of FOREST WATER  
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When the 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 Company analyzes the timing and amount for write-off separately on the basis of whether recovery is reasonably expected. The 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 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 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 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 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 Company's remaining equity after deducting all liabilities from the asset. Equity instruments issued by the Company are recognized as the amount of the proceeds received less the direct cost of issuance.

**(3) Treasury stocks**

When repurchasing its recognized equity instruments, the 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).

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

**(4) Compound financial instruments**

A compound financial instrument issued by the 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 or loss. The conversion of financial liabilities reclassified as equity upon conversion is not recognized in profit or loss.

**(5) Financial liabilities**

Financial liabilities are classified as being measured at amortized cost using the effective interest method. Interest expense and exchange profit or loss are recognized in profit or loss. Any profit or loss at the time of derecognition is recognized in profit or loss.

**(6) Derecognition of financial liabilities**

The 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 or loss.

**Notes to the Parent company only Financial statements of FOREST WATER  
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(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 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.

(VII) Investments in associates

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

The Company's interests in an associate are accounted for using 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 parent company only financial statements includes the amount of the profit or loss and other comprehensive income of each investee associate recognized by the Company in proportion to equity after making adjustments consistent with the 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 or loss and other comprehensive income occurs to an associate and where that change does not affect the Company's shareholding, the 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 Company and an associate are recognized in the financial statements of the companies only within the scope of the non-related-party investor's equity in the associate.

Where the Company's share of the losses of an associate, which must be recognized proportionally, equals or exceeds its interests in the associate, the 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.

(VIII) Investments in subsidiaries

In preparing the parent company only financial statements, the Company evaluates the investee companies it has control over using equity method. Under the equity method, the current profit or loss and other comprehensive income in the parent company only financial statements are the same as the share of the current profit or loss and other comprehensive income in the consolidated financial statements attributable to owners of the parent company, and the owners' equity in the parent company only financial statements is the same as the equity attributable to



**Notes to the Parent company only Financial statements of FOREST WATER  
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owners of the parent company in the consolidated financial statements.

Changes in the Company's equity ownership in a subsidiary that do not result in a loss of control are treated as equity transactions with the owner.

**(IX) 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 or loss.

**2. Subsequent costs**

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

**3. Depreciation**

Depreciation is calculated at the cost of an asset less its residual value and recognized in profit or 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:

Transportation equipment	3-5 years
Other equipment	2-15 years

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

**(X) Lease**

The Company assesses whether a 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 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.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

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 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 Company's incremental borrowing rate is used. In general, the 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 or 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

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

remeasured amount of lease liabilities is recognized in profit or loss.

The Company presents right-of-use assets and lease liabilities as single-line items in the balance sheet.

For short-term leases and leases of low-value underlying assets, the 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 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 Company considers specific related indicators, including whether the lease term covers the main part of the economic life of the underlying asset.

If the 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 Company uses IFRS 15 to allocate the consideration in the contract.

**(XI) Intangible assets**

**1. Recognition and measurement**

Goodwill arising from the acquisition of a subsidiary is measured at cost less accumulated impairment.

Expenditures associated with research activities are recognized in profit or loss as incurred. Development expenditures are capitalized only when the Company is able to measure reliably the expenditure, the technique or commercial feasibility of the product or procedure is achieved, it is probable that future economic benefits will flow into the Company, and the Company intends and has sufficient resources to complete the development and to use or sell the assets. Other development expenditures are recognized in profit or loss as incurred. After initial recognition, capitalized development expenditures are measured by the cost less accumulated amortization and accumulated impairment.

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

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

2. 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 or loss upon incurrence, including the goodwill and brand developed internally.

3. Amortization

Except for goodwill, 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, it is recognized in profit or loss over its estimated useful life on a straight-line basis.

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

Computer software	5 years
-------------------	---------

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

(XII) Impairment of non-financial assets

On each reporting date, the 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 or 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

**Notes to the Parent company only Financial statements of FOREST WATER  
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are reversed only within the carrying amount (less depreciation or amortization) of the asset determined where no impairment loss was recognized in prior years.

**(XIII) Liability provision**

Liability provision is recognized when the 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 the 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 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.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(XIV) 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 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 Company are described as follows:

(1) Engineering contracts

The 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 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 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 or loss during the period in which the management is aware of such change.

The Company provides a 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 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.

**Notes to the Parent company only Financial statements of FOREST WATER  
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(XV) 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 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.

(XVI) 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 or loss.

(XVII) 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 or loss.

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 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.

**Notes to the Parent company only Financial statements of FOREST WATER  
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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 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.

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

1. The 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 Company adopts the accounting treatment for filing of a consolidated income tax return



**Notes to the Parent company only Financial statements of FOREST WATER  
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under a consolidated tax return system, but income tax is still calculated in accordance with the aforementioned principles. The amounts received and paid in connection with the filing of consolidated income tax returns are used to adjust the Company's income tax assets or income tax liabilities for the current period.

**(XVIII) Earnings per share**

The Company lists the basic and diluted earnings per share (EPS) attributable to the holders of the Company's common share equity. The Company's basic EPS is calculated by dividing the profit or 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 or loss attributable to the holders of the Company's common share equity and the weighted average number of outstanding common shares, respectively. The Company's potential diluted common shares include convertible bonds and employee stock options.

**(XIX) Segment information**

The Company has disclosed the segment information in the consolidated financial statements. Therefore, no segment information will be disclosed in the parent company only financial statements.

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

The preparation of the parent company only financial statements requires management to make judgments, estimates, and assumptions to future (including climate-related risks and opportunities) that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions to be consistent with the Company's risk management and climate-related commitments. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period on a prospective basis.

Information of accounting policies that involves material judgments and has a material effect on the amounts recognized in this parent company only financial statements: None.

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:

**(I) Engineering contracts and onerous contracts**

The primary business of the Company arises from the signing of construction contracts with customers to provide certain designs, techniques and functions or ultimate purposes or uses

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

that are closely related or interdependent. The contract revenue is recognized over time with reference to the degree of completion of the construction contract, and 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 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.

[Evaluation process]

The accounting policies and disclosures of the 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 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 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(15) “Financial instruments.”

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

**VI. Description of major accounting titles**

(I) Cash and cash equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Petty cash	\$ 6,762	6,859
Demand deposits	1,440,798	987,312
Check deposits	10,979	8,970
Cash and cash equivalents	<u><u>\$ 1,458,539</u></u>	<u><u>1,003,141</u></u>

For disclosures on the interest rate risks and sensitivity analysis of the financial assets and liabilities of the Company, see Note 6(15).

(II) Notes and accounts receivable

	<u>2024.12.31</u>	<u>2023.12.31</u>
Notes receivable – arising from operations	\$ 77,136	9,096
Accounts receivable – measured at amortized cost	616,413	1,013,183
Less: Loss allowance	-	-
	<u><u>\$ 693,549</u></u>	<u><u>1,022,279</u></u>

1. The 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 Company as follows:

	<u>2024.12.31</u>		
<u>Interval of account age</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted average rate of expected credit loss</u>	<u>Provision for full lifetime expected credit loss</u>
Not past due	<u><u>\$ 218,820</u></u>		<u><u>-</u></u>
	<u>2023.12.31</u>		
<u>Interval of account age</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted average rate of expected credit loss</u>	<u>Provision for full lifetime expected credit loss</u>
Not past due	<u><u>\$ 516,657</u></u>	-	<u><u>-</u></u>

**Notes to the Parent company only Financial statements of FOREST WATER  
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- (2) The expected credit losses of the notes and accounts receivable of related parties are analyzed by the Company as follows:

		<b>2024.12.31</b>		
	<b>Interval of account age</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted average rate of expected credit loss</b>	<b>Provision for full lifetime expected credit loss</b>
	Not past due	<u>\$ 99,896</u>		<u>-</u>
		<b>2023.12.31</b>		
	<b>Interval of account age</b>	<b>Carrying amount of accounts receivable</b>	<b>Weighted average rate of expected credit loss</b>	<b>Provision for full lifetime expected credit loss</b>
	Not past due	<u>\$ 57,903</u>	-	<u>-</u>

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

	<b>2024.12.31</b>	<b>2023.12.31</b>
Disputed amount	\$ 538,750	538,750
Less: Expected loss (Note)	(163,917)	(91,031)
Total	<u>\$ 374,833</u>	<u>447,719</u>

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. The notes and accounts receivables were not pledged as collateral.

(III) Investments accounted for using equity method

The Company's investments accounted for using equity method on the reporting date are listed as follows:

	<b>2024.12.31</b>	<b>2023.12.31</b>
Subsidiaries	<u>\$ 5,990,228</u>	<u>6,942,606</u>

Please see the 2024 consolidated financial statements.

The investments accounted for using equity method were not pledged as collateral .

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ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(IV) Property, plant and equipment

The changes in the cost, depreciation and impairment loss of the Company's property, plant and equipment in 2024 and 2023 are detailed as follows:

	<u>Land</u>	<u>Transportation equipment</u>	<u>Other equipment</u>	<u>Total</u>
Cost or recognized cost:				
Balance as of January 1, 2024	\$ 326,058	20,228	71,946	418,232
Addition	-	5,862	2,331	8,193
Disposal	(326,058)	(3,331)	(7,756)	(337,145)
Balance as of December 31, 2024	<u>\$ -</u>	<u>22,759</u>	<u>66,521</u>	<u>89,280</u>
Balance as of January 1, 2023	\$ 326,058	18,951	77,344	422,353
Addition	-	1,334	4,967	6,301
Disposal	-	(57)	(10,365)	(10,422)
Balance as of December 31, 2023	<u>\$ 326,058</u>	<u>20,228</u>	<u>71,946</u>	<u>418,232</u>
Depreciation and impairment loss:				
Balance as of January 1, 2024	\$ -	15,415	29,314	44,729
Depreciation in the year	-	2,203	6,827	9,030
Disposal	-	(3,319)	(2,217)	(5,536)
Balance as of December 31, 2024	<u>\$ -</u>	<u>14,299</u>	<u>33,924</u>	<u>48,223</u>
Balance as of January 1, 2023	\$ -	13,884	28,991	42,875
Depreciation in the year	-	1,587	10,356	11,943
Disposal	-	(56)	(10,033)	(10,089)
Balance as of December 31, 2023	<u>\$ -</u>	<u>15,415</u>	<u>29,314</u>	<u>44,729</u>
Carrying amount:				
December 31, 2024	<u>\$ -</u>	<u>8,460</u>	<u>32,597</u>	<u>41,057</u>
December 31, 2023	<u>\$ 326,058</u>	<u>4,813</u>	<u>42,632</u>	<u>373,503</u>
January 1, 2023	<u>\$ 326,058</u>	<u>5,067</u>	<u>48,353</u>	<u>379,478</u>

1. As of December 31, 2024 and 2023, the outstanding payments amounted to \$0 thousand and \$59,000 thousand, respectively, and were recognized as other payables.
2. The Company has resolved by the board of directors on March 14, 2024 to approve the sale of 9 numbers of land located on No. 1209, Jhuanzi Section, Ligang Township, Pingtung County, etc., which did not achieve the development benefits, and signed the contract of the sale and purchase with a non-related party. The total contract amounted to \$326,058 thousand (tax included), which was determined by referring to appraisal report and negotiation. The aforementioned payment has been collected in full, and the ownership transfer registration procedures have been completed.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

3. Please refer to Note 8 for the details of property ,plant and equipment pledged as collaterals for bank loans and guarantees for credit lines.

(V) Short-term notes payable

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

<b>2024.12.31</b>			
	<b>Guaranteeing or accepting institution</b>	<b>Interest rate range</b>	<b>Amount</b>
Commercial papers payable	Grand Bills Finance Corp.	2.45%	\$ 80,000
"	Ta Ching Bills Finance Corporation	2.48%	100,000
"	Taiwan Cooperative Bills Finance Corporation	2.40%	190,000
"	DAH CHUNG BILLS FINANCE CORP.	2.52%	50,000
"	International Bills Finance Corporation	2.49%	90,000
"	China Bills Finance Corporation	2.49%	150,000
"	TAIWAN FINANCE CORPORATION	2.49%	70,000
Total			<b>\$ 730,000</b>

<b>2023.12.31</b>			
	<b>Guaranteeing or accepting institution</b>	<b>Interest rate range</b>	<b>Amount</b>
Commercial papers payable	Mega Bills Finance Co., Ltd.	2.43%	\$ 90,000
"	Grand Bills Finance Corp.	2.37%	80,000
"	Taiwan Cooperative Bills Finance Corporation	2.23%	196,000
"	International Bills Finance Corporation	2.36%	330,000
"	China Bills Finance Corporation	2.31%	150,000
Total			<b>\$ 846,000</b>

Please refer to Note 8 for the details of the assets pledged as collaterals for commercial paper payables.

**Notes to the Parent company only Financial statements of FOREST WATER  
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(VI) Short-term loans

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

	<b>2024.12.31</b>	<b>2023.12.31</b>
Unsecured bank loans	\$ 630,000	980,000
Secured bank loans	395,000	731,168
Total	<b>\$ 1,025,000</b>	<b>1,711,168</b>
Unused credit line	<b>\$ 900,326</b>	<b>605,000</b>
Interest rate range	<b><u>2.38%~2.72%</u></b>	<b><u>2.21%~2.68%</u></b>

Please refer to Note 8 for the details of the assets pledged as collaterals for bank loans.

(VII) Corporate bonds payable

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

	<b>2024.12.31</b>	<b>2023.12.31</b>
Amount of convertible corporate bonds issued	\$ 1,000,000	1,000,000
Unamortized balance of the discount of corporate bonds payable	(6,183)	(33,948)
Less: Current portion of corporate bonds	-	(866,052)
Less: Cumulative converted amount	(744,200)	(100,000)
Balance of corporate bonds payable at end of the period	<b>\$ 249,617</b>	<b>-</b>
Embedded derivatives – rights of repurchase and put (accounted for in financial assets (liabilities) measured at fair value through profit or loss)	<b>\$ 281</b>	<b>(4,590)</b>
Equity component – right of conversion (accounted for in capital reserves)	<b>\$ 18,667</b>	<b>65,678</b>
	<b>2024</b>	<b>2023</b>
Embedded derivatives – gains (losses) on remeasurement of right of put at fair value	<b>\$ 5,775</b>	<b>10,910</b>
Interest expense	<b>\$ 9,181</b>	<b>14,554</b>

**Notes to the Parent company only Financial statements of FOREST WATER  
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The principal rights and obligations of the outstanding unsecured convertible corporate bonds of the Company are as follows:

<b>Item</b>	<b>2nd issue of unsecured convertible corporate bonds in 2021</b>
Total amount issued	NTD 1,000,000 thousand
Date of issue	September 28, 2021
Period of issue	September 28, 2021 – September 28, 2026
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 redemption	From the date following the expiration of three months after the issue 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 34.9

(VIII)Employee benefits

1. Defined contribution plan

According to the Company's defined contribution plan, an amount equal to 6% of an employee's monthly salary is allocated and contributed to a special personal account for labor pension at the Bureau of Labor Insurance. Under this plan, the Company will have no legal or constructive obligation to pay additional amounts after contributing a fixed amount to the Bureau of Labor Insurance.



**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

In 2024 and 2023, the Company's pension expenses under the defined contribution plan amounted to \$16,636 thousand and \$16,252 thousand, respectively, which were contributed to the Bureau of Labor Insurance.

(IX) Income tax

1. Income tax expense

The income tax expenses (benefits) of the Company in 2024 and 2023 are detailed as follows:

	<u>2024</u>	<u>2023</u>
Income tax expense for the period		
Land Value Increment Tax	\$ 56	-
Deferred income tax expense		
Occurrence and reversal of temporary differences	9,097	(2,334)
Income tax expense (benefit)	<u>\$ 9,153</u>	<u>(2,334)</u>

The relationship between the income tax expenses (benefits) and the pre-tax net profits of the Company in 2024 and 2023 is adjusted as follows:

	<u>2024</u>	<u>2023</u>
Pre-tax profit	\$ 176,340	37,417
Income tax calculated at the domestic tax rate in the place where the Company is located	\$ 35,268	7,483
Gain on valuation of financial liabilities	(1,665)	(2,182)
Non-deductible expense	141	137
Consolidated tax return system – credit for the current taxable income of subsidiaries	28,238	25,641
Current taxable loss of unrecognized deferred income tax assets	20,533	32,453
Interest expense of convertible corporate bonds	1,836	2,911
Land Value Increment Tax	56	-
Gain on investments accounted for using equity method	(75,022)	(68,909)
Other	(232)	132
Total	<u>\$ 9,153</u>	<u>(2,334)</u>

2. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

The changes in deferred income tax assets in 2024 and 2023 are as follows:

	<u>Unrealized loss on projects</u>
<b>Deferred income tax assets:</b>	
<b>Balance as of January 1, 2024</b>	\$ 82,214
Income statement of (debits) credits	(9,097)
<b>Balance as of December 31, 2024</b>	<u>\$ 73,117</u>
<b>Balance as of January 1, 2023</b>	\$ 79,880
Income statement of (debits) credits	2,334
<b>December 31, 2023</b>	<u>\$ 82,214</u>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

3. The return of the Company's profit-seeking enterprise income tax has been assessed by the tax authority to 2022.
4. The 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.

**(X) Capital and other equity**

As of December 31, 2024 and 2023, the Company's authorized share capital amounted to both \$3,000,000 thousand, at a par value of \$10 per share, and the numbers of shares issued were 180,852 thousand and 157,349 thousand, respectively. All payments for the issued shares have been received.

**1. Issuance of common shares**

In 2024 and 2023, the Company issued 17,895 thousand new shares and 2,755 thousand new shares at par value for a total of \$178,947 thousand and \$27,548 thousand, respectively, due to the holders of convertible bonds exercising their conversion rights. The relevant legal registration procedures of 384 thousand shares and 0 thousand shares have not 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 are 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.

The Company has resolved by the shareholders meeting on June 13, 2024 to capitalize retained earnings of \$56,087 thousand by issuing 5,609 thousand new shares, with a par value of \$10 per share. The base date of the capital increase in November 10, 2024. The

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

relevant legal registration procedures have been completed.

**2. Capital reserves**

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

	<b>2024.12.31</b>	<b>2023.12.31</b>
Premium on common shares	\$ 1,560,239	1,560,239
Premium on conversion of convertible corporate bonds	571,611	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	18,667	65,678
	<b><u>\$ 4,532,939</u></b>	<b><u>4,084,257</u></b>

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, when there are earnings in the final account of a year, 10% of the earnings must be allocated as legal reserves after taxes are paid and previous losses are covered, unless the legal reserves are equal to or greater than the Company's paid-in capital. Additionally, special reserves may be allocated based on the Company's operational needs and the law. If there is a balance of earnings, the Board of Directors must prepare a proposal for distribution of earnings in respect of such balance plus the undistributed earnings at the beginning of the period, and submit the proposal to a shareholders' meeting for a resolution for their distribution. If any 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

**Notes to the Parent company only Financial statements of FOREST WATER  
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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 or 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 13, 2024, the annual shareholders' meeting adopted a resolution to reverse special reserve amounting to \$20,456 thousand.

(3) Distribution of earnings

On June 13, 2024, the proposal for earnings distribution of 2023 was approved by a resolution of the annual shareholders' meeting. The following is the amount of dividends distributed to the owners:

		<b>2023</b>	
		<b>Dividend payout ratio (NTD)</b>	<b>Amount</b>
Dividends distributed to the owners of common shares:			
Stock	\$	0.34	<u><b>56,087</b></u>

Note: The dividend payout ratio of stock dividends has been adjusted from \$0.34 to \$0.32 on October 18, 2024.

On June 13, 2023, the proposal for covering the losses of 2022 was approved by a

**Notes to the Parent company only Financial statements of FOREST WATER  
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resolution of the annual shareholders' meeting. For 2022, there were no earnings distributable due to accumulated losses.

On March 13, 2025, the proposal for earnings distribution of 2024 was proposed by the board of directors. The following is the amount of dividends distributed to the owners:

	<u>2024</u>	
	<b>Dividend payout ratio (NTD)</b>	<b>Amount</b>
Dividends distributed to the owners of common shares:		
Cash	\$ 0.73	<u><u>131,118</u></u>

(XI) Earnings per share

Basic earnings per share and diluted earnings per share of the Company are calculated as follows:

	<u>2024</u>	<u>2023</u>
<b>Basic earnings per share</b>		
Net profit attributable to owners of the common shares of the Company	<u>\$ 167,187</u>	<u>39,751</u>
Common shares issued in the beginning of the period	157,349	144,249
Effects of conversion of convertible bonds	10,061	2,257
Effects of issuing new shares by cash capital increase	-	198
Effects of stock dividends	5,609	4,694
Weighted average number of outstanding common shares (thousand shares)	<u>173,019</u>	<u>151,398</u>
<b>Basic earnings per share (\$)</b>	<u>\$ 0.97</u>	<u>0.26</u>
<b>Diluted earnings per share</b>		
Net profit attributable to owners of the common shares of the Company	\$ 167,187	39,751
Effects of conversion of convertible bonds	1,570	733
Net profit attributable to owners of the common shares of the Company (diluted)	<u>\$ 168,757</u>	<u>40,484</u>
Weighted average number of outstanding common shares (thousand shares)	173,019	151,398
Effects of employee stock bonus (thousand shares)	106	32
Effects of conversion of convertible bonds	14,959	25,291
Weighted average number of outstanding common shares (diluted) (thousand shares)	<u>188,084</u>	<u>176,721</u>
<b>Diluted earnings per share (\$)</b>	<u>\$ 0.90</u>	<u>0.23</u>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(XII) Revenue from customer contracts

1. Breakdown of revenue

	<u>2024</u>	<u>2023</u>
Market of main territory:		
Taiwan	<u>\$ 1,867,429</u>	<u>2,284,438</u>
Main product/service lines:		
Revenue from water treatment project contracts	\$ 971,918	1,426,916
Revenue from the operation and maintenance of water treatment projects	895,511	857,166
Other operating revenues	-	356
Total	<u>\$ 1,867,429</u>	<u>2,284,438</u>
Timing of recognition of revenue:		
Services transferred at a certain point of time	\$ -	356
Services transferred gradually over time	895,511	857,166
Projects transferred gradually over time	971,918	1,426,916
	<u>\$ 1,867,429</u>	<u>2,284,438</u>

2. Contract balance

	<u>2024.12.31</u>	<u>2023.12.31</u>	<u>2023.1.1</u>
Notes receivable	\$ 77,136	9,096	13,951
Accounts receivable	616,413	1,013,183	917,351
Less: loss allowance	-	-	-
Total	<u>\$ 693,549</u>	<u>1,022,279</u>	<u>931,302</u>

	<u>2024.12.31</u>	<u>2023.12.31</u>	<u>2023.1.1</u>
Contract assets – project investments not meeting the criteria for a right to receive payment	\$ 663,533	378,201	664,858
Contract assets – retention money for projects contracted	157,566	120,135	255,361
Less: Loss allowance	-	-	-
Total	<u>\$ 821,099</u>	<u>498,336</u>	<u>920,219</u>
Amount expected to be recovered after more than 12 months	<u>\$ 4,405</u>	<u>16,452</u>	<u>31,800</u>
Contract liabilities – payments received exceeding project investments	<u>\$ 49,113</u>	<u>44,856</u>	<u>121,472</u>
Amount expected to be settled after more than 12 months	<u>\$ -</u>	<u>-</u>	<u>-</u>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

4. For the disclosures of accounts receivable and their impairment, see Note 6(2).
5. For the information of the credit risks of contract assets, see Note 6(15).
6. 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 Company to the customer. For disputes related to contract assets, see Note 9.

**(XIII) 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, the 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 controlled or affiliated companies who have met certain requirements.

For 2024 and 2023, the amounts of employee remuneration were estimated to be \$3,674 thousand and \$964 respectively, and the amounts of director remuneration were estimated to be \$3,674 thousand and \$964 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 2024 and 2023. 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 or loss of the next year.

For 2023, the amounts allocated as the employee and director remuneration were both \$964 thousand, which were overestimated by \$177 thousand from the actually distributed amounts. For 2022, the amounts allocated by the Company as the employee and director remuneration were both \$0, which were not different from the actually distributed amounts. Please visit the Market Observation Post System (MOPS) for relevant information.

**(XIV) Non-operating revenues and expenses**

**1. Interest income**

The interest income of the Company are detailed as follows:

	<b>2024</b>	<b>2023</b>
Interest on bank deposits	\$ 7,532	6,136
Other interest income	4,056	14
	<b>\$ 11,588</b>	<b>6,150</b>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

2. Other income

The other income of the Company is detailed as follows:

	<b>2024</b>	<b>2023</b>
Lease income	<u><u>\$ 260</u></u>	<u><u>651</u></u>

3. Other gains and losses

The other gains and losses of the Company are detailed as follows:

	<b>2024</b>	<b>2023</b>
Gain on foreign currency exchange	\$ -	80
Gain on financial assets and liabilities measured at fair value through profit or loss	8,325	10,910
Loss on disposal of property, plant and equipment	(5,241)	(323)
Gain (loss) on lease modification	(57)	450
Miscellaneous income	2,263	7,707
	<u><u>\$ 5,290</u></u>	<u><u>18,824</u></u>

4. Financial cost

The financial costs of the Company are detailed as follows:

	<b>2024</b>	<b>2023</b>
Interests of bank loans	\$ 55,842	60,543
Amortization of discount on convertible bonds	7,737	12,246
Interest compensation of convertible bonds	1,444	2,308
Interests of lease liabilities	139	114
Other interest expenditures	2	334
Financial expenditures	6,050	6,998
	<u><u>\$ 71,214</u></u>	<u><u>82,543</u></u>



**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(XV) 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, 2024 and 2023, the Company's concentration of credit risks on government agencies due to project and operation contracts accounted for 86% and 94% of total receivables, respectively.

(3) Credit risk of receivables

For information on the credit risk exposure of notes and accounts receivable, see Note 6(3).

Other financial assets measured at amortized cost include other receivables (accounted for in other financial assets) and certificates of time deposits. Other receivables are 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 Company is situated, the 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 Company determines a low credit risk, see Note 4(6)). In 2024 and 2023, no loss allowance was set aside. There was no provision for loss in 2024 and 2023.

(4) Contract assets

The Company's customers are concentrated in tenders for the government's public projects and the operation of sewage treatment systems. As of December 31, 2024 and 2023, the Company's concentration of credit risks on government agencies due to the aforementioned tenders accounted for both 99% of contract assets. Since the counterparties are government agencies, there is unlikely to be any significant credit risk.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

2. Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
<b>December 31, 2024</b>						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 1,044,057	1,044,057	916,788	124,475	2,794	-
Lease liabilities	5,602	5,705	2,997	2,708	-	-
Instruments with a floating interest rate	1,025,000	1,041,113	1,041,113	-	-	-
Instruments with a fixed interest rate	979,617	1,002,668	743,641	-	259,027	-
	<u>\$ 3,054,276</u>	<u>3,093,543</u>	<u>2,704,539</u>	<u>127,183</u>	<u>261,821</u>	<u>-</u>
<b>December 31, 2023</b>						
Non-derivative financial liabilities						
Non-interest-bearing liabilities	\$ 1,185,966	1,185,966	1,070,538	18,326	97,102	-
Lease liabilities	1,277	1,374	476	194	198	506
Instruments with a floating interest rate	1,711,168	1,733,775	1,733,775	-	-	-
Instruments with a fixed interest rate	1,712,052	1,768,366	857,026	-	911,340	-
	<u>\$ 4,610,463</u>	<u>4,689,481</u>	<u>3,661,815</u>	<u>18,520</u>	<u>1,008,640</u>	<u>506</u>

The Company does not expect the timing of the 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 Company's financial 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 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 before tax of the Company in 2024 and 2023 would increase or decrease by

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

\$5,436 thousand and decrease or increase by \$5,357 thousand respectively, mainly due to its deposits and loans with floating interest rates.

5. Fair value information

(1) Types and fair values of financial instruments

The Company's financial assets measured at fair value through profit or 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 of 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:

		2024.12.31				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
<b>Financial liabilities measured at fair value through profit or loss</b>						
Embedded derivative financial assets – redemptions rights and put options	\$	281	-	-	281	281
Domestic listed and emerging stocks		12,050	-	-	12,050	12,050
	\$	<u>12,331</u>	<u>-</u>	<u>-</u>	<u>12,331</u>	<u>12,331</u>
<b>Financial assets measured at fair value through other comprehensive income</b>						
Equity instruments without public quoted price measured at fair value	\$	<u>64,808</u>	<u>-</u>	<u>-</u>	<u>64,808</u>	<u>64,808</u>
<b>Financial liabilities measured at amortized cost</b>						
Corporate bond payables	\$	<u>249,617</u>	<u>-</u>	<u>248,561</u>	<u>-</u>	<u>248,561</u>
		2023.12.31				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value through other comprehensive income</b>						
Equity instruments without public quoted price measured at fair value	\$	<u>60,660</u>	<u>-</u>	<u>-</u>	<u>60,660</u>	<u>60,660</u>
<b>Financial liabilities measured at fair value through profit or loss</b>						
Embedded derivative financial liabilities – redemption rights and put options	\$	<u>4,590</u>	<u>-</u>	<u>-</u>	<u>4,590</u>	<u>4,590</u>
<b>Financial liabilities measured at amortized cost</b>						
Corporate bond payables	\$	<u>866,052</u>	<u>-</u>	<u>855,000</u>	<u>-</u>	<u>855,000</u>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

- (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 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 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 Company has an active market, the type and attributes of fair value are presented as follows:

- Fair value of financial assets and financial liabilities with standard terms and conditions and traded in an active market, including stocks of listed companies and beneficiary certificates, etc., is determined with reference to market quoted prices.

Except for the aforementioned financial instruments with an active market, fair value of other financial instruments is obtained by valuation techniques or referring to counterparties' quoted prices. Fair value obtained by valuation techniques may refer

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

to the current fair value of other financial instruments with substantively similar terms and characteristics, discounted cash flow approach, or other valuation techniques, including calculation by models utilizing the market information available at the consolidated reporting date.

Where a financial instrument held by the Company has no active market, the type and attributes of fair value are presented as follows:

Equity instruments without public quoted prices: Fair value is estimated by the market comparable company approach. The major assumption is to measure based on the earnings multiple derived from the estimated EBITA and the market quoted prices of comparable listed companies. The estimates have been adjusted for the effect of discount on market 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 binomial tree convertible bond valuation model.

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

(5) Statement of changes in Level 3

	Measured at fair value through profit or loss		Measured at fair value through other comprehensive income
	Equity instruments without public quoted prices	Embedded derivative financial assets (liabilities)	Equity instruments without public quoted prices
January 1, 2024	\$ -	(4,590)	60,660
Recognized in profit or loss	2,550	5,775	-
Recognized in other comprehensive income	-	-	4,148
Purchase	9,500	-	-
Conversion of corporate bonds	-	(904)	-
December 31, 2024	<u>\$ 12,050</u>	<u>281</u>	<u>64,808</u>
January 1, 2023	\$ -	(16,200)	-
Recognized in profit or loss	-	10,910	-
Recognized in other comprehensive income	-	-	37,297
Purchase (Note)	-	-	23,363
Conversion of corporate bonds	-	700	-
December 31, 2023	<u>\$ -</u>	<u>(4,590)</u>	<u>60,660</u>

Note: As of December 31, 2024 and 2023, the outstanding payments amounted to both \$23,363 thousand, which were accounted for as other payables.

The total profits or losses above are accounted for in “other gains 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, 2024

**Notes to the Parent company only Financial statements of FOREST WATER  
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and 2023 are as follows:

	<u>2023</u>	<u>2022</u>
Total profits or losses		
Recognized in profit or loss (accounted for in “other gains and losses”)	\$ 8,325	10,910
Recognized in other comprehensive income (accounted for in “unrealized valuation gain (loss) on financial assets measured at fair value through other comprehensive income”)	4,148	23,363

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

The Company’s fair value measurements classified as Level 3 mainly include financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments, privately placed stocks of listed companies, and financial assets measured at fair value through other comprehensive income – investments in equity securities.

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

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

<u>Item</u>	<u>Evaluation technique</u>	<u>Significant unobservable input</u>	<u>Relationship between the significant unobservable input and fair value</u>
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without active market	Market approach	• Liquidity discount (30% as of December 31, 2024 and 2023)	• The higher the liquidity discount, the lower the fair value.
Financial assets measured at fair value through profit or loss – investments in equity instruments without an active market	Black-Scholes model	• Volatility (42.23% as of December 31, 2024) Liquidity discount (25.56% as of December 31, 2024)	• The higher the volatility, the higher the fair value. • The higher the liquidity discount, the lower the fair value.
Financial liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Binomial tree convertible bond evaluation model	Volatility (44.11% and 21.22% as of December 31, 2024 and 2023, respectively)	• The higher the volatility, the higher the fair value.

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ENVIRONMENTAL ENG'G CO., LTD. (continued)**

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

The 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 or loss or other comprehensive income:

	Input	Upward or downward change	Change in fair value reflected in current profit or loss		Change in fair value reflected in other comprehensive income	
			Favorable change	Unfavorable change	Favorable change	Unfavorable change
<b>December 31, 2024</b>						
Financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Volatility	1%	51	(51)	-	-
Financial assets measured at fair value through profit or loss – investments in equity instruments without an active market	Liquidity discount and volatility	1%	100	(100)	-	-
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without an active market	Liquidity discount and volatility	1%	-	-	931	(914)
<b>December 31, 2023</b>						
Financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Volatility	1%	360	(360)	-	-
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without an active market	Liquidity discount and volatility	1%	-	-	863	(863)

The positive and negative changes in the 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.

(XVI) Financial risk management

1. Summary

The 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 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 parent company only financial

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

statements.

**2. Risk management framework**

The Company's risk management policies are established to identify and analyze the risks faced by the 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 Company. Through training, management guidelines and operating procedures, the Company develops a disciplined and constructive control environment for all employees to understand their roles and obligations.

The Audit Committee of the Company oversees how the management monitors compliance with the Company's risk management policies and procedures, and reviews the appropriateness of the 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 Company's customers or counterparties for financial instruments to perform contractual obligations. Such a risk mainly arises from the Company's accounts receivable from customers.

**(1) Accounts receivable and other receivables**

The Company's customers are concentrated in tenders for public projects, and sewage treatment operation, and the Company keeps aware of subsidiaries' financial condition. As of December 31, 2024 and 2023, the Company's concentration of credit risks on government agencies due to the aforementioned tenders accounted for 86% and 94% of total receivables, respectively. Since the counterparties are mainly government agencies, there is unlikely to be any credit risk. The 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 Company's financial department. Since all of the transaction and contractual counterparties of the 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



**Notes to the Parent company only Financial statements of FOREST WATER  
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thus there is no significant credit risk.

(3) Guarantee

For endorsements/guarantees provided by the Company for the needs of subsidiaries for loans and performance guarantee, see Note 7.

4. Liquidity risk

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

5. Market risk

Market risk refers to the risk that changes in market prices, such as changes in exchange rates, interest rates or equity instrument prices, will affect the 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 Company is not exposed to any significant market risk.

(1) Interest rate risk

The Company's risk of interest rate changes mainly arises from its bank loans. Loans with a floating interest rate will expose the Company to cash flow risk, and loans with a fixed interest rate will expose the Company to fair value risk. The 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.

(XVII) Capital management

The 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 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 Company controls capital based on debt to capital ratio. The ratio is calculated by net debt divided by total capital. Net debt is the total liabilities presented in the balance sheet deducting cash and cash equivalents. Total capital is all components of equity (i.e. share capital, capital surplus, retained earnings, and other equity interests).

The capital management strategies of the Company for the year ended December 31, 2024 are

**Notes to the Parent company only Financial statements of FOREST WATER  
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the same as those for the year ended December 31, 2023, which are maintaining reasonable debt to capital ratio and guaranteeing to raise funds by reasonable costs.

The debt to capital ratios as of December 31, 2024 and 2023 are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Total liabilities	\$ 3,163,706	4,876,501
Less: Cash and cash equivalents	<u>(1,458,539)</u>	<u>(1,003,141)</u>
Net debt	1,705,167	3,873,360
Total equity	<u>6,561,947</u>	<u>5,786,567</u>
Adjusted capital	<u><b>\$ 8,267,114</b></u>	<u><b>9,659,927</b></u>
Debt-to-capital ratio	<u><b>20.63%</b></u>	<u><b>40.10%</b></u>

The debt-to-capital ratio as of December 31, 2024 decreased due to the conversion of convertible bonds, resulting in a decrease in liabilities and an increase in equity.

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

The significant investing and financing activities of non-cash transactions for the years ended December 31, 2024 and 2023 are conversion of convertible bonds into common shares. Please refer to Note 6(7) for details.

**VII.Related party transactions**

(I) Parent company and ultimate controller

Ho Ching Enterprises Co., Ltd. is the Company's parent company, holding 60.04% of the outstanding common shares of the Company. Rich Development Co., Ltd. is the ultimate controller of the group to which the Company belongs. Rich Development Co., Ltd. has prepared a consolidated financial statements for public use.

(II) Names of related parties and their relationship

The following are the subsidiaries of the Company and other related parties conducting transactions with the Company during the period covered by this parent company only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</u>
Rich Development Co., Ltd. (hereinafter "Rich Development")	Ultimate parent company of the Company
Orient Forest Development Enterprise Co., Ltd. (hereinafter "Orient Forest")	Subsidiary of the Company
Green Forest Development Enterprise Co., Ltd. (hereinafter "Green Forest")	Subsidiary of the Company
Perfection Forest Development Enterprise Co., Ltd. (hereinafter "Perfection Forest")	Subsidiary of the Company
Grain Forest Green Energy Co., Ltd. (hereinafter "Grain Forest")	Subsidiary of the Company
Easy Development Co., Ltd. (hereinafter "Easy Development")	Subsidiary of the Company

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

<b>Name of related party</b>	<b>Relationship with the Company</b>
Re-use Environmental Co., Ltd. (hereinafter “Re-use”)	Subsidiary of the Company
Eastern Forest Environmental Technology Co., Ltd. (hereinafter “Eastern Forest”)	Subsidiary of the Company
Rising Environmental Co., Ltd. (hereinafter “Rising”)	Subsidiary of the Company
Modern Rich Investment Limited (hereinafter “Modern Rich”)	Subsidiary of the Company
Lea Lea Environmental Enterprise Co., Ltd. (hereinafter “Lea Lea Environmental”)	Subsidiary of the Company
Top Forest Water Co., Ltd. (hereinafter “Top Forest”)	Subsidiary of the Company
Ho Ching Enterprises Co., Ltd. (hereinafter “Ho Ching Enterprises”)	Parent company of the Company
Chih Mei International Trade Co., Ltd. (hereinafter “Chih Mei International”)	Other related party
Chih Mau International Co., Ltd. (hereinafter “Chih Mau International”)	her related party
Bloom Creative Co., Ltd. (hereinafter “Bloom Creative”)	Other related party
Lea Jing Enterprise Co., Ltd. (hereinafter “Lea Jing Enterprise”)	Other related party
Lea Green Care	her related party
Mu Sheng Cloud Interior Decoration and Design Co., Ltd. (hereinafter “Mu Sheng Cloud”)	Other related party
Giantforest Solutions Co., Ltd. (hereinafter “Giantforest Solutions”)	Other related party
Howslers Foods Co., Ltd. (hereinafter “Howslers Foods”)	Other related party
Qing Shan Lin Limited (hereinafter “Qing Shan Lin”)	Other related party
Yilan Lealea Development Co., Ltd. (hereinafter “Yilan Lealea”)	Other related party
ITT Management Co., Ltd. (hereinafter “ITT Management”)	Other related party
Yilan County Lea Lea Elderly Care Center	Other related party
Jia Rui Development Co., Ltd. (hereinafter “Jia Rui Development”)	Other related party
Hon Lin Heavy Industries Co., Ltd. (hereinafter “Hon Lin Heavy Industries”)	Other related party
Teamphon Energy Co., Ltd. (hereinafter “Teamphon Energy”)	her related party
Lead U Education Co., Ltd. (hereinafter “Lead U Education”)	Other related party
Lealea Eagle Travel Service Co., Ltd. (hereinafter “Lealea Eagle”)	Other related party
Buy Chow Foods Co., Ltd. (hereinafter “Buy Chow Foods”)	Other related party
Neng Pan Engineering Co., Ltd. (hereinafter “Neng Pan Engineering”)	Other related party
Lealea Hotels and Resorts Co., Ltd. (hereinafter “Lealea Hotels and Resorts”)	Other related party
Yi Lea Hotels Co., Ltd. (hereinafter “Yi Lea Hotels”)	Other related party
Li Young Electrical Development Co., Ltd. (hereinafter “Li Young Electrical”)	Other related party
Libolon Enterprise Co., Ltd. (hereinafter “Libolon”)	Other related party
Lealea Mingchih Resort Co., Ltd. (hereinafter “Lealea Mingchih”)	Other related party
Lealea Development Co., Ltd. (hereinafter “Lealea Development”)	Other related party
Forest Water Sustainability Tech EP Engineering Co., Ltd. (hereinafter “Forest Water Sustainability”)	Other related party
BHL Taipei Limited (hereinafter “BHL Taipei”)	her related party
S.T.Y. Steels Co., Ltd. (hereinafter “S.T.Y. Steels”)	Other related party
Ching Iee Development Co., Ltd. (hereinafter “Ching Iee Development”)	Other related party
Hope Jet Engineering Co., Ltd. (hereinafter “Hope Jet Engineering”)	Other related party

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(III) Significant transactions with related parties

1. The amounts of significant sales from the Company to related parties are as follows:

<b>Type of related party</b>	<b>Account title</b>	<b>2024</b>	<b>2023</b>
Subsidiary – Orient Forest	Revenue from operation \$ and treatment	90,793	86,134
Subsidiary – Green Forest	Revenue from operation and treatment	136,794	122,689
		<b>\$ 227,587</b>	<b>208,823</b>

The prices of transactions with the related parties above are based on the prices agreed by both parties. The condition for a subsidiary to request payment for operation and treatment is that after it receives payment from the owner, the Company is notified to receive payment 10 days after issuing an invoice.

2. Project contracting

The amounts of projects contracted by the Company from related parties and their prices are as follows:

	<b>Contract amount</b>		<b>Sales (price of the current period)</b>	
	<b>2024.12.31</b>	<b>2023.12.31</b>	<b>2024.12.31</b>	<b>2023.12.31</b>
Subsidiary – Grain Forest	\$ 13,676	13,676	-	2,038
Subsidiary – Green Forest	124,100	114,100	11,338	58,714
	<b>\$ 137,776</b>	<b>127,776</b>	<b>11,338</b>	<b>60,752</b>

The price of a project contracted by the Company from a related party is reimbursed on a monthly basis at the price agreed by both parties, and is received in a 30-day check after acceptance of a transaction payment request. There is no significant difference with the terms of transactions with a non-related party. In addition, the contract assets (liabilities) arising from projects contracted by the Company from related parties are as follows:

	<b>Contract assets (liabilities)</b>	
	<b>2024.12.31</b>	<b>2023.12.31</b>
Subsidiary – Grain Forest	\$ 6,817	5,376
Subsidiary – Green Forest	(11,429)	(11,546)
	<b>\$ (4,612)</b>	<b>(6,170)</b>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

3. Purchases from related parties

(1) The total contract amounts of the Company contracting projects to related parties and the amount of purchases from related parties are as follows:

	<b>Contract amount</b>		<b>Purchase (price of the current period)</b>	
	<b>2024.12.31</b>	<b>2023.12.31</b>	<b>2024</b>	<b>2023</b>
Hope Jet	\$ 150,342	53,980	9,685	712
Engineering				
Li Young Electrical	-	20,650	-	(79)
Hon Lin Heavy Industries	-	12,721	-	(561)
Forest Water Sustainability	448,340	377,497	120,119	101,647
S.T.Y. Steels	981	935	-	935
BHL Taipei	17,944	11,076	6,868	6,506
Other	-	5,041	-	470
	<b>\$ 617,607</b>	<b>481,900</b>	<b>136,672</b>	<b>109,630</b>

The price of a project contracted by the Company with a related party is the result of price consultation, comparison, and negotiation. It is reimbursed on a monthly basis at the price agreed by both parties and is paid in a 30-day check after receipt of a payment request. In the case of some related parties, half of the price is paid in a demand check and the other half is paid in a 30-day check. There is no significant difference with the terms of transactions with a non-related party.

(2) The amounts of pharmaceuticals and filters purchased from related parties are as follows

	<b>2024</b>	<b>2023</b>
Other related party-Forest Water Sustainability	<b>\$ 29,987</b>	<b>31,346</b>

The transaction prices with related parties are determined by negotiation between both parties. The transaction terms are sending billing requests every month, and the Company will pay by cash or 30-day promissory notes in the next month.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

4. Receivable from related parties

The Company's receivables from related parties are detailed as follows:

<b>Account title</b>	<b>Type of related party</b>	<b>2024.12.31</b>	<b>2023.12.31</b>
Notes and accounts receivable	Subsidiary – Orient Forest	\$ 37,710	25,164
Notes and accounts receivable	Subsidiary – Green Forest	62,186	32,739
		<b>\$ 99,896</b>	<b>57,903</b>
Other receivables	Subsidiary – others	1,685	952
Other receivables	Other related parties	709	109
		<b>\$ 60,297</b>	<b>94,167</b>

<b>Account title</b>	<b>Type of related party</b>	<b>2024.12.31</b>	<b>2023.12.31</b>
Other receivables	Subsidiary – others	\$ 461	1,685
Other receivables	Other related parties	5,556	709
		<b>\$ 6,017</b>	<b>2,394</b>

5. Prepayments

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

	<b>2024.12.31</b>	<b>2023.12.31</b>
Forest Water Sustainability	\$ 31,228	13,675
BHL Taipei	-	6,868
Hope Jet Engineering	8,931	-
	<b>\$ 40,159</b>	<b>20,543</b>

6. Payables to related parties

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

<b>Account title</b>	<b>Type of related party</b>	<b>2024.12.31</b>	<b>2023.12.31</b>
Notes and accounts payable	Subsidiary – Green Forest	\$ 2,319	1,734
Notes and accounts payable	Other related party – Forest Water Sustainability	63,968	35,365
Notes and accounts payable	Other related party – others	6,331	3,764
Other payables	Other related parties	<b>\$ 72,618</b>	<b>40,863</b>
		<b>\$ 787</b>	<b>892</b>

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

7. Lease (Rental)

The 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 2024 and 2023 were \$121 thousand and \$26 thousand, respectively, and the balances of lease liabilities as of December 31, 2024 and 2023 were \$5,317 thousand and \$0 thousand, respectively.

8. The amounts of guarantees provided by the Company to subsidiaries in accordance with contracts for the needs for loans and performance guarantee are as follows:

	<u>2024.12.31</u>	<u>2023.12.31</u>
Subsidiary – Grain Forest	\$ 462,278	375,278
Subsidiary – Top Forest	100,000	100,000
	<u>\$ 562,278</u>	<u>475,278</u>

9. Other

- (1) In 2024 and 2023, the Company paid \$6,927 thousand and \$7,328 thousand, respectively, to other related parties as the costs for software maintenance and IT equipment.
- (2) In 2024 and 2023, the Company donated \$3,500 thousand and \$0 thousand, respectively, to other related parties.
- (3) In 2024 and 2023, the Company paid \$4,700 thousand and \$5,156 thousand, respectively, as the expenses for entertainment and company trips to other related parties due to operational needs.
- (4) In 2024 and 2023, the service fees received by the Company for providing the personnel services of subsidiaries were \$14,432 thousand and \$11,388 thousand, respectively.
- (5) As of December 31, 2024 and 2023, the Company issued notes for deposits paid in the amounts of \$601,870 thousand and \$712,161 thousand, respectively, due to loans, endorsements/guarantees and project warranties.

(IV) Transactions with key management personnel

The remuneration for key management personnel includes:

	<u>2024</u>	<u>2023</u>
Short-term employee benefits	\$ 26,655	18,255

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

**VIII. Pledged assets**

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

Name of asset	Subject of collateral for pledge	2024.12.31	2023.12.31
Other financial assets	Project performance bonds and bank loans	\$ 127,827	188,173
Other financial assets – time deposits	Project performance bonds	19,416	19,415
Property, plant and equipment	Short-term notes payable	-	326,058
		<b>\$ 147,243</b>	<b>533,646</b>

**IX. Material contingent liabilities and unrecognized contractual commitments**

(I) Material unrecognized contractual commitments:

- The unrecognized contractual commitments of the Company for sewage treatment projects are as follows:

	2024.12.31	2023.12.31
Proceeds not received after contracting (before tax)	<b>\$ 3,300,101</b>	<b>3,744,185</b>
Proceeds not paid after contracting (before tax)	<b>\$ 2,025,799</b>	<b>2,410,953</b>

- The material outsourced operation contracts entered into by the 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
Changhua County Government	Changhua County Sewage Piping System and Water Resource Recycling Center	Part of the income is fixed, and part of it is based on the monthly invested amount, and the annual invoice will not exceed the maximum amount specified in the contract.	September 2022 to September 2032
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	November 2022 to December 2025



**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

<u>Owner</u>	<u>Project title</u>	<u>Contract amount</u>	<u>Term of performance</u>
Water Resources Bureau, Tainan City Government	Operation and maintenance of the water recycling center and reclaimed water treatment plant in Yongkang, Tainan City	year not exceeding the limit set by the contract  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
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
Taiwan Water Corporation	Establishment of the 900-ton seawater desalination plant, and commissioned operation and maintenance in Cimeiye	Part of the income is fixed, and part of it is based on the monthly invested amount, and the annual invoice will not exceed the maximum amount specified in the contract.	15 years from the date of notification by government authority

(II) Contingent liabilities:

- As of December 31, 2024 and 2023, the Company issued notes for deposits paid in the amounts of \$602,000 thousand and \$747,236 thousand, respectively, due to contracting, loans and other operational needs. For endorsements/guarantees provided for the needs of subsidiaries for loans and performance guarantee, see Note 7.
- As of December 31, 2024 and 2023, the Company had banks issue performance bonds in the amounts of \$819,737 thousand and \$1,000,149 thousand, respectively, due to the needs for performance guarantee.
- On January 19, 2019, the Company signed the "Tainan City Yongkang Water Resources Recycling Center and Renewable Water Plant Construction Turnkey Project" (hereinafter referred

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

to as the “Water Resources Center”) and "Tainan City Yongkang Recycled Water Advanced Treatment Facility Plant, Distribution Pond and Distribution Pipe to New Construction Turnkey Project" (hereinafter referred to as the “Distribution Pipe Construction”) with Construction and Planning Agency, MOI. As of December 31, 2024, due to the late progress of construction, an amount of \$515,000 thousand (recognized as accounts receivable) have been withheld from the owner. However, the project is affected by the neighboring projects during the construction process, impact of COVID pandemic, the GIS map provided by Southern Taiwan Science Park Bureau does not match the reality and makes the review process cumbersome and the extension in the construction period caused by weather and administrative factors, therefore, the Company is now actively negotiating with the owner for the extension of the construction period which is not attributable to the Company.

The Company submitted to mediation on January 5, 2023, and received the deduction amount of \$120,968 thousand for the Water Resources Center in the partial mediation suggestions from the Complaint Review Board for Government Procurement on October 9, 2024. The Company has announced to agree with the mediation suggestions, and estimated the fine to be \$120,968 thousand (\$41,812 thousand and \$79,156 thousand have been recognized as the deductions to operating revenue for the years ended December 31, 2024 and 2022, respectively). National Land Management Agency, MOI has accepted the mediation suggestion on December 30, 2024. However, the Company has not yet received the certification for successful mediation.

Regarding the Distribution Pipe Construction, based on the mediation suggestion of the Water Resources Center and the assessment by the lawyer, considering the aforementioned reasons not attributable to the Company, the Company deemed the extension of the construction period reasonable, not of no substance. Therefore, the Company estimates the fine to be \$31,074 thousand (recognized as the deductions to operating revenue) for the year ended December 31, 2024. After the relief is final, the Company will apply for mediation.

4. The Company was fined \$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, as a result of its contract with the Taipei City Government on the “Operation and Maintenance of the Dihua Wastewater Treatment Plant – Phase 6.” However, 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 \$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.

**Notes to the Parent company only Financial statements of FOREST WATER  
ENVIRONMENTAL ENG'G CO., LTD. (continued)**

**X. Material losses from disasters: None.**

**XI. Material subsequent events: None.**

**XII. Other**

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

Function Nature	2024			2023		
	Classified as operating cost	Classified as operating expense	Total	Classified as operating cost	Classified as operating expense	Total
Employee benefit expense						
Salary expense	247,289	62,835	310,124	249,024	54,696	303,720
Labor and health insurance expenses	28,077	7,204	35,281	28,169	6,478	34,647
Pension expense	12,860	3,776	16,636	12,809	3,443	16,252
Remuneration for directors	-	8,677	8,677	-	10,272	10,272
Other employee benefit expenses	14,382	5,662	20,044	14,814	5,887	20,701
Depreciation expense	7,265	5,085	12,350	12,390	4,695	17,085
Amortization expense	-	-	-	-	-	-

The following is additional information on the number of employees and employee benefit expenses of the Company in 2024 and 2023:

	2024	2023
Number of employees	580	597
Number of non-employee directors	8	8
Average employee benefit expense	\$ 668	\$ 637
Average employee salary expense	\$ 542	\$ 516
Adjustment to average employee salary expense	5.04%	12.42%
Remuneration for supervisors	\$ -	\$ -

The Company's remuneration policies (including directors, managers and employees) are as follows:

- (I) According to the Company's remuneration policy for directors, directors performing duties for the Company are entitled to receive remuneration from the Company regardless of whether the Company records a profit or loss, and the Board of Directors is authorized to pay such remuneration in accordance with the standards of peers and the relevant laws and regulations. For the regulations governing the remuneration for directors, see Note 6(13).
- (II) According to the Company's remuneration policy for employees, the salary, annual bonus or salary adjustment for an employee is based on a comprehensive consideration of the job market information and overall operating performance, as well as the employee's position, length of service and the result of performance evaluation. For the regulations governing the remuneration for employees, see Note 6(13).

## Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)

### XIII. Note disclosures

#### (I) Information of significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company is required to further disclose the following information of significant transactions in 2024:

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 endorsement s/ 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	1,312,389	826,556	462,278	462,278	-	7.04%	3,280,974	Y	N	N
0	Forest Water Environmental Engineering Co., Ltd.	Top Forest Water Co., Ltd.	2	1,312,389	100,000	100,000	100,000	-	1.52%	3,280,974	Y	N	N

## Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)

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.

Limitation of endorsements/guarantees to a single company : \$6,561,947 thousand  $\times 20\% = \$1,312,389$  thousand

Maximum amount of endorsements/guarantees : \$6,561,947 thousand  $\times 50\% = \$3,280,974$  thousand

**Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

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				Remarks
				Number of shares (unit)	Carrying amount	Shareholding (%)	Fair value	
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%	-	
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	64,808	1.15%	64,808	
Forest Water Environmental Engineering Co., Ltd.	Honyi International Company Limited	-	Financial assets measured at fair value through profit or loss – non-current	1,250,000	12,050	1.80%	12,050	
Re-use Environmental Co., Ltd.	Teamphon Energy Co., Ltd.	-	Financial assets measured at fair value through profit or loss – current	107,000	6,174	0.33%	6,174	
Re-use Environmental Co., Ltd.	Yung Fu Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income – non-current	558,973	10,905	0.62%	10,905	
Orient Forest Development Enterprise Co., Ltd.	Jih Sun Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	3,334,156	51,581	-%	51,581	
Orient Forest Development Enterprise Co., Ltd.	Capital Money Market Fund	-	Financial assets measured at fair value through profit or loss – current	4,292,113	72,195	-%	72,195	
Modern Rich Investment Limited	Tien Li Offshore Wind Technology Co., Ltd.	-	Financial assets measured at fair value through other comprehensive income – non-current	1,382,400	36,675	1.83%	36,675	
Modern Rich Investment Limited	Asia Renewable Energy (Cayman) Ltd	-	Financial assets measured at fair value through other comprehensive income – non-current	2,820,278	37,961	2.77%	37,961	

## Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)

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:

Unit: NTD thousand

The acquiring company	Name of the property	Date of factual occurrence	Amount of the transaction	Details of the receipt or payment of the transaction price	Counterparty	Relationship	Information on the last preceding transfer				Reference basis upon which the price was determined	The specific purpose of the acquisition or disposal and the usage status of the object	Other special stipulations
							Owner	Relationship with the issuer	Date of transfer	Amount			
Re-use Environmental Co., Ltd.	Land and building in Ligang Township, Pingtung County	2024.03.14	300,000	300,000	YING CHERNG ENTERPRISE CO., LTD.	Non-related party	-	-	-	-	Appraisal report	For operation	

6. Amount of real property disposed of equaling or exceeding NTD 300 million or 20% of the paid-in capital:

Unit: NTD thousand

The disposing company	Name of the property	Date of factual occurrence	Original acquisition date	Carrying amount	Amount of the transaction	Details of the receipt or payment of the transaction price	Gains or losses on disposal	Counterparty	Relationship	Purpose of disposal	Reference basis upon which the price was determined	Other special stipulations
Forest Water Environmental Engineering Ltd.	Land in Ligang Township, Pingtung County	2024.03.14	2017.07.11	326,058	326,058	326,058	-	UTOP CO., LTD.	Non-related party	Enhance working capital	Appraisal report	

**Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

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

Company Name	Related Party	Nature of Relationships	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/ Sales	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	Parent and subsidiary	Sales	(148,132)	(7.93)%	Monthly bases	-	-	62,186	8.97%	Note
Forest Water Environmental Engineering Co., Ltd.	Forest Water Sustainability Tech EP Eng'g Co., Ltd.	Other related party	Purchases	150,106	8.07%	Monthly bases	-	-	(63,968)	7.12%	

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.



## Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)

### (II) Information of investee companies:

The following is the information of the Company's investee companies in 2024:

Unit: NTD thousand/(Foreign currency thousand)

Name of investor company	Name of investee company	Location	Primary business	Initial amount of investment		Held at end of the period			Profit or loss of investee company in the current period	Profit or 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%	3,116,104	184,261	184,261	
Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	ROC	Water treatment, piping, wastewater (sewage) treatment, etc.	1,133,597	1,797,842	151,979,149	70.00%	1,887,536	281,679	197,175	
Forest Water Environmental Engineering Co., Ltd.	Perfection Forest Development Enterprise Co., Ltd.	ROC	Water treatment, piping, wastewater (sewage) treatment, etc.	240,000	200,000	24,000,000	100.00%	76,061	(37,908)	(37,908)	
Forest Water Environmental Engineering Co., Ltd.	LeaLea Environmental Enterprise Co., Ltd.	R.O.C.	Waste Cleaning, etc.	244,049	215,549	7,942,000	95.00%	113,187	(24,067)	(27,906)	
Forest Water Environmental Engineering Co., Ltd.	Top Forest Water Co., Ltd.	ROC	Water treatment, treatment of reclaimed water, etc.	70,000	70,000	7,000,000	70.00%	65,704	(4,943)	(3,460)	
Forest Water Environmental Engineering Co., Ltd.	Easy Development Co., Ltd.	ROC	Waste disposal, etc.	139,990	139,990	11,000,000	100.00%	3,277	(2,334)	(2,334)	
Forest Water	Grain Forest Green	ROC	Power	318,500	318,500	31,850,000	70.00%	152,705	(7,518)	(5,263)	

**Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

Environmental Engineering Co., Ltd.	Energy Co., Ltd.		generation from renewable energy								
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%	10,939	(2,791)	(1,954)	
Forest Water Environmental Engineering Co., Ltd.	Re-use Environmental Co., Ltd.	ROC	Waste disposal, etc.	318,248	318,248	3,427,710	50.41%	367,820	150,830	65,863	
Forest Water Environmental Engineering Co., Ltd.	Rising Environmental Co., Ltd.	ROC	Waste disposal, etc.	500	500	50,000	100.00%	381	(75)	(75)	
Forest Water Environmental Engineering Co., Ltd.	Modern Rich Investment Limited	Samoa	Investments in production and financial businesses	273,484(Note) (USD5,610) (RMB20,000)	258,795(Note) (USD5,610) (RMB20,000)	8,568,730	100.00%	196,514	6,712	6,712	
Modern Rich Investment Limited	Faith Honest International Investment Limited	Samoa	Investments in production and financial businesses	89,724(Note) (USD5) (RMB20,000)	86,694(Note) (USD5) (RMB20,000)	2,963,730	100.00%	121,392	6,772	6,772	
Faith Honest International Investment Limited	Loyal Sheen International Limited	BVI	Investments in production and financial businesses	89,560(Note) (RMB20,000)	86,540(Note) (RMB20,000)	40	40.00%	121,371	20,134	6,770	Associate

Note: 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.

**Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

(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 or loss of investee company in the current period	The Company's shareholding in direct or indirect investments	Highest shareholding or contribution during the period	Gains or losses on investments recognized in the current period	Carrying amount 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.	105,233 (RMB23,500)	(Note 1)	89,560 (RMB20,000) (Note 2)	-	-	89,560 (RMB20,000) (Note 2)	20,205 (RMB4,589)	40.00%	40.00%	8,082 (RMB1,835)	97,169 (RMB21,699)	9,597 (RMB2,180)

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 gains or losses on investment are recognized according to the financial statements audited by the CPAs of the parent company in Taiwan by the indirect shareholding percentage.

**Notes to the Parent Company Only Financial Statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. (continued)**

2. Limit on the amount of investments in China:

<b>Accumulated amount of investments remitted from Taiwan to China at end of the current period</b>	<b>Amount of investments approved by the Investment Commission, MOEA</b>	<b>Limit on amount of investments in China as required by the Investment Commission, MOEA</b>
89,560 (RMB20,000)	89,560 (RMB20,000)	3,937,168 (Note 1)

Note 1: Calculation of the limit: Net equity of the current period x 60% = \$6,561,947 thousand x 60% = \$3,937,168 thousand.

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

(IV) Information of major shareholders:

<b>Name of major shareholder</b>	<b>Shares</b>	<b>Number of shares held</b>	<b>Shareholding (%)</b>
Ho Ching Enterprises Co., Ltd.		108,587,854	60.04%

**XIV. Segment information**

See the 2024 consolidated financial statements.

**FOREST WATER ENVIRONMENTAL ENG'G  
CO., LTD.**

**Statement of Cash and Cash Equivalents**

**December 31, 2024**

**Unit: NTD thousand**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Cash on hand and petty cash		\$ 6,762
Bank deposits		
Check deposits		10,979
Demand deposits	Including USD 371, EUR 2,775 and RMB 472, translated to a total of NTD 108 thousand.	<u>1,440,798</u>
		<u><b>\$ 1,458,539</b></u>

**Statement of Contract Assets**

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Taiwan Sugar Corporation	Project on the Yamay Plant of Taiwan Sugar Corporation	\$ 398,290	
Hsinchu Science Park Bureau, National Science and Technology Council	Project on sewage treatment in Baoshan – phase 2	254,172	
Central Taiwan Science Park Bureau, Ministry of Science and Technology	Level 1 Project in Erlin – phase 1	47,913	
Other		<u>120,724</u>	The balance for each customer does not exceed 5%.
Net amount		<u><b>\$ 821,099</b></u>	

**FOREST WATER ENVIRONMENTAL ENG'G  
CO., LTD.**

**Statement of Accounts Receivable**

**December 31, 2024**

**Unit: NTD thousand**

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
Non-related parties			
Construction and Planning Agency, Ministry of the Interior	Revenue from projects	\$ 362,958	
Tainan City Government	Revenue from projects	62,454	
Taiwan Sugar Corporation	Revenue from projects	32,506	
National Science and Technology Council	Revenue from projects	30,832	
Other	Revenues from projects and outsourced operation	104,904	The balance for each customer does not exceed 5%.
Related parties			
Other	Revenues from projects and outsourced operation	<u>22,759</u>	The balance for each customer does not exceed 5%.
Net amount		<u><u>\$ 616,413</u></u>	

# FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

## Statement of Changes in Investments Accounted for Using equity method

January 1 to December 31, 2024

Unit: NTD thousand

Name	Balance at beginning of the period		Increase in the current period		Decrease in the current period		Balance at end of the period			Net market price or equity		Provided as collateral or pledge
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Shareholding (%)	Amount	Unit price (NTD)	Total price	
Orient Forest Development Enterprise Co., Ltd.	223,013,980	\$ 3,092,413	-	184,261	-	160,570	223,013,980	100.00%	3,116,104	13.97	3,116,104	
Green Forest Development Enterprise Co., Ltd.	218,403,619	2,854,208	-	197,175	66,424,470	1,163,847	151,979,149	70.00%	1,887,536	12.42	1,887,536	
Perfection Forest Development Enterprise Co., Ltd.	20,000,000	73,969	4,000,000	40,000	-	37,908	24,000,000	100.00%	76,061	3.17	76,061	
Grain Forest Green Energy Co., Ltd.	31,850,000	157,968	-	-	-	5,263	31,850,000	70.00%	152,705	4.79	152,705	
Easy Development Co., Ltd.	11,000,000	5,611	-	-	-	2,334	11,000,000	100.00%	3,277	0.30	3,277	
Eastern Forest Environmental Technology Co., Ltd.	3,500,000	12,893	-	-	-	1,954	3,500,000	70.00%	10,939	3.13	10,939	
Modern Rich Investment Limited	8,568,730	213,645	-	9,970	-	27,101	8,568,730	100.00%	196,514	22.93	196,514	
Re-use Environmental Co., Ltd.	3,427,710	349,686	-	66,122	-	47,988	3,427,710	50.41%	367,820	52.71	180,667	
Rising Environmental Co., Ltd.	50,000	456	-	-	-	75	50,000	100.00%	381	7.62	381	
Lea Lea Environmental Enterprise Co., Ltd.	5,092,000	112,593	2,850,000	28,500	-	27,906	7,942,000	95.00%	113,187	1.13	8,981	
Top Forest Water Co., Ltd.	7,000,000	69,164	-	-	-	3,460	7,000,000	70.00%	65,704	9.39	65,704	
		<u>\$ 6,942,606</u>		<u>526,028</u>		<u>1,478,406</u>			<u>5,990,228</u>		<u>5,698,869</u>	

The increases/decreases in the Company's long-term investments accounted for using equity method are detailed as follows:

Name of investee company	Investment profit recognized using equity method	Cash dividends	Capital increase	Capital reduction	Exchange differences on translation of financial statements of foreign operations	Other comprehensive income of subsidiaries recognized using equity method – unrealized valuation gains (losses) on financial assets measured at fair value through other comprehensive income	Total
Orient Forest Development Enterprise Co., Ltd.	\$ 184,261	(160,570)		-	-	-	23,691
Green Forest Development Enterprise Co., Ltd.	197,175	(499,602)	-	(664,245)	-	-	(966,672)
Perfection Forest Development Enterprise Co., Ltd.	(37,908)	-	40,000	-	-	-	2,092
Grain Forest Green Energy Co., Ltd.	(5,263)	-	-	-	-	-	(5,263)
Easy Development Co., Ltd.	(2,334)	-	-	-	-	-	(2,334)
Eastern Forest Environmental Technology Co., Ltd.	(1,954)	-	-	-	-	-	(1,954)
Modern Rich Investment Limited	6,712	-	-	-	3,258	(27,101)	(17,131)
Re-use Environmental Co., Ltd.	65,863	(47,988)	-	-	-	259	18,134
Rising Environmental Co., Ltd.	(75)	-	-	-	-	-	(75)
Lea Lea Environmental Enterprise Co., Ltd.	(27,906)	-	28,500	-	-	-	594
Top Forest Water Co., Ltd.	(3,460)	-	-	-	-	-	(3,460)
	<u>\$ 375,111</u>	<u>(708,160)</u>	<u>68,500</u>	<u>(664,245)</u>	<u>3,258</u>	<u>(26,842)</u>	<u>(952,378)</u>

# FOREST WATER ENVIRONMENTAL ENG'G CO., LTD.

## Statement of Short-term Loans

December 31, 2023

Unit: NTD  
thousand

Loan type	Description	Balance at end of the period	Term of contract	Interest rate range	Financing limit	Mortgaged or secured
Secured loan	First Bank, Jiancheng Branch	\$ 30,000	2024/10/09-2025/05/13	2.61%	30,000	Other financial assets – current
Secured loan	Taichung Bank, Linkou Branch	100,000	2024/07/23-2025/01/20	2.45%	100,000	Other financial assets – current
Secured loan	King's Town Bank, Songshan Branch	120,000	2024/10/04-2025/10/04	2.38%	120,000	Other financial assets – current
Secured loan	Bank of East Asia, Taipei Branch	100,000	2024/12/27-2025/01/23	2.64%	150,000	Other financial assets – current
Secured loan	O-Bank, Business Department	45,000	2024/08/16-2025/02/14	2.72%	45,000	Other financial assets – current
Unsecured loan	Land Bank of Taiwan, Changchun Branch	50,000	2024/07/12-2025/07/05	2.49%	50,000	None
Unsecured loan	Chang Hwa Bank, Zhongzheng Branch	200,000	2024/12/10-2025/06/10	2.58%	200,000	None
Unsecured loan	Shanghai Commercial and Savings Bank, Minsheng Branch	50,000	2024/11/07-2025/06/24	2.59%	50,000	None
Unsecured loan	Bank of Kaohsiung, Taipei Branch	80,000	2024/07/10-2025/07/10	2.38%	80,000	None
Unsecured loan	Yuanta Bank, Guting Branch	150,000	2024/12/06-2025/03/06	2.52%	150,000	None
Unsecured loan	Export-Import Bank of the Republic of China	100,000	2023/08/21-2025/08/21	2.41%	100,000	None
	Total	<u>\$ 1,025,000</u>				

## Statement of Short-term Notes Payable

Item	Guaranteeing or accepting institution	Term of contract	Interest rate range	Amount	Unamortized discount of short-term notes payable	Remarks
				Amount issued (Carrying amount)		
Short-term notes payable	Grand Bills Finance Corporation	2024/12/10~2025/03/05	2.45%	\$ 80,000	255	
Short-term notes payable	Ta Ching Bills Finance Corporation	2024/11/25~2025/02/10	2.48%	100,000	227	
Short-term notes payable	Taiwan Cooperative Bills Finance Corporation	2024/12/27~2025/2/25	2.40%	190,000	541	
Short-term notes payable	Dah Chung Bills Finance Corporation	2024/12/27~2025/03/27	2.52%	50,000	256	
Short-term notes payable	International Bills Finance Corporation	2024/12/03~2025/03/03	2.49%	90,000	270	
Short-term notes payable	China Bills Finance Corporation	2024/11/27~2025/01/23	2.49%	150,000	137	
Short-term notes payable	Taiwan Finance Corporation	2024/12/27~2025/03/27	2.49%	70,000	323	
	Total			<u>\$ 730,000</u>	<u>(Note) 2,009</u>	

Note: Accounted for in other current assets.



**FOREST WATER ENVIRONMENTAL ENG'G  
CO., LTD.**

**Statement of Accounts Payable**

**December 31, 2024**

**Unit: NTD  
thousand**

<u>Name of customer</u>	<u>Summary</u>	<u>Amount</u>	<u>Remarks</u>
CHEN WEI DEVELOPMENT CO.,LTD.	Project payment	\$ 163,406	
Chen Ding International Technology Co., Ltd.	Project payment	156,705	
G&F ENVIRONMENTAL TECHNOLOGY CO., LTD.	Project payment	91,050	
AGCO Australia Limited, Taiwan Branch (Australia)	Project payment	82,130	
Forest Water Sustainability Tech EP Eng' g Co., Ltd	Project payment	50,479	
Other	Project payment	<u>268,049</u>	The balance for each customer does not exceed 5%.
Total		<u><b>\$ 811,819</b></u>	

**FOREST WATER ENVIRONMENTAL ENG'G  
CO., LTD.**

**Statement of Operating Revenue**

**January 1 to December 31, 2024**

**Unit: NTD thousand**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Revenue from water treatment project contracts	DD241-0	\$ 375,467
	DD245	200,052
	DD254	197,430
	Other (with an amount less than 10% of the account title)	<u>305,708</u>
	Subtotal	<u>1,078,657</u>
Revenue from the operation and maintenance of water treatment projects	DD024	177,761
	DD016	136,794
	DD020	118,423
	DD015	90,793
	Other (with an amount less than 10% of the account title)	<u>372,900</u>
	Subtotal	<u>896,671</u>
Less: accrued penalty and deduction by the owner		<u>(107,899)</u>
Total		<u><u>\$ 1,867,429</u></u>

**Statement of Operating Costs**

<u>Item</u>	<u>Summary</u>	<u>Amount</u>
Costs from water treatment project contracts	DD241-0	\$ 504,427
	DD245	192,901
	DD254	175,718
	Other (with an amount less than 10% of the account title)	<u>447,423</u>
	Subtotal	<u>1,320,469</u>
Costs from the operation and maintenance of water treatment projects	DD024	123,366
	DD020	89,893
	DD045	75,455
	DD016	68,226
	Other (with an amount less than 10% of the account title)	<u>333,947</u>
	Subtotal	<u>690,887</u>
Less: Accrued loss on onerous contracts		<u>(151,255)</u>
Total		<u><u>\$ 1,860,101</u></u>

**FOREST WATER ENVIRONMENTAL ENG'G  
CO., LTD.**

**Statement of Operating Expenses**

**January 1 to December 31, 2024**

**Unit: NTD thousand**

<b>Item</b>	<b>Administrative expense</b>	<b>Remarks</b>
Salary expense	\$ 71,512	Note 1
Insurance premium	7,262	
Service expense	25,258	
Entertainment expense	11,471	
Miscellaneous expense	4,340	
Other expenses	32,180	Note 2
Total	<u><u>\$ 152,023</u></u>	

Note 1: Including salary, year-end bonus, overtime, and remuneration for employees and directors.

Note 2: With an amount less than 5% of the account title.

**Statement of Non-operating Income and Expenses**

For relevant information, see Note 6(14).