

**FOREST WATER ENVIRONMENTAL
ENG'G CO., LTD. and Subsidiaries**
**Consolidated Financial Statements and
CPA's Audit Report**

2024 and 2023

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Table of Contents

Item	Page
I. Cover	1
II. Table of Contents	2
III. Declaration	3
IV. CPA's Audit Report	4
V. Consolidated Balance Sheet	5
VI. Consolidated Statement of Comprehensive Income	6
VII. Consolidated Statement of Changes in Equity	7
VIII. Consolidated Statement of Cash Flows	8
IX. Notes to the Consolidated Financial Statements	
(I) History of the Company	9
(II) Date and procedures of approval of the financial statements	9
(III) Application of new and amended standards and interpretations	9~11
(IV) Summary of material accounting policies	11~30
(V) Main sources of uncertainty of material accounting judgments, estimates and assumptions	30~31
(VI) Description of major accounting titles	32~69
(VII) Related party transactions	70~74
(VIII) Pledged assets	74
(IX) Material contingent liabilities and unrecognized contractual commitments	74~81
(X) Material losses from disasters	82
(XI) Material subsequent events	82
(XII) Others	82
(XIII) Note disclosures	
1. Information of significant transactions	83~88
2. Information of investee companies	89~90
3. Information of investments in Mainland China	91~92
4. Information of major shareholders	92
(XIV) Segment information	90

Declaration

For the year of 2024 (from January 1 to December 31, 2024), the companies which are to be included in the consolidated financial statements of affiliates prepared in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those which are to be included in the consolidated financial statements of the parent company and subsidiaries pursuant to IFRS 10 approved by the Financial Supervisory Commission, and the relevant information which is to be disclosed in the consolidated financial statements of affiliates has been disclosed in the foregoing consolidated financial statements of the parent company and subsidiaries. Therefore, no separate consolidated financial statements of affiliates have been prepared.

Declarant:

Company name: FOREST WATER

ENVIRONMENTAL ENG'G CO., LTD.

Chairman: Kuo, You-Chi

Date: March 13, 2025

CPA's Audit Report

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

Audit Opinions

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

In our opinion, with respect to all material aspects, the foregoing consolidated financial statements was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, interpretations and pronouncements of interpretation approved and published by the Financial Supervisory Commission, and thus provided a fair presentation of the consolidated financial positions of the Consolidated Company as of December 31, 2024 and 2023 and its consolidated 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 Consolidated Financial Reports”. Our CPAs, who are subject to independence requirements have, in accordance with the Standards of Professional Ethics for Certified Public Accountants, remained independent from the Consolidated Company and have fulfilled all other responsibilities under the standards. We believe that we have acquired sufficient and appropriate audit evidence as the basis of our audit opinions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the Consolidated Company for 2024. Such matters were addressed in the context of our audit of the consolidated 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 projects, see “Recognition of revenues” under Note 4(15) to the consolidated 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(16).

Description of key audit matters:

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

The corresponding audit procedures:

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

II. Assessment of impairment of assets

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

Description of key audit matters:

The carrying amount of property, plant and equipment and intangible assets of the Consolidated Company accounted for approximately 17% of the total assets as of December 31, 2023. The key composition of the amount consisted of the primary operating assets of the Consolidated Company and concessions arising from its contracts with governmental agencies on privately managed public services. Because the operations of some subsidiaries were affected by the industrial environment, falling short of the expected benefits at the time of the original investments, there was doubt as to whether the carrying amount of the operating assets and concessions of the Consolidated Company exceeded its recoverable amount. The management of the Consolidated Company was required to estimate the recoverable amount of the aforementioned assets in accordance with IAS 36 “Impairment of Assets”. Since the estimation of the recoverable amount involved the management’s subjective judgment and was highly uncertain, which might result in the risk of overestimation of the carrying amount of property, plant and equipment and concessions, we included the assessment of impairment of the aforementioned assets as one of the significant key audit matters in our audit of the consolidated financial statements.

The corresponding audit procedures:

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

Other Matters

FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. has prepared the parent-only financial statements for 2024 and 2023, with an unqualified audit report issued by us for reference.

Responsibilities of the Management and Governing Bodies for Consolidated Financial Reports

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

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

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

Responsibilities of CPAs for the Audit of Consolidated Financial Statements

The purpose of our audit of the consolidated financial statements is to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 the necessary understanding of the internal control related to an audit to design audit procedures appropriate for the current circumstances, provided that the purpose of the foregoing is not to express opinions regarding the effectiveness of the internal control of the Consolidated Company.
3. We assess the appropriateness of the accounting policies adopted by the management and the reasonableness of the accounting estimates and relevant disclosures made by the management.

4. We draw a conclusion about the appropriateness of the application of the going concern basis of accounting by the management and whether there is material uncertainty in an event or circumstances which may cast significant doubt about the ability of the Consolidated Company to remain a going concern. If any material uncertainty is deemed to exist in such event or circumstance, we must provide a reminder in the audit report for the users of the consolidated financial 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 the Consolidated Company is no longer able to remain a going concern.
5. We assess the overall presentation, structure and contents of the consolidated financial statements (including relevant notes) and whether the consolidated financial statements provide a fair presentation of the relevant transactions and events.
6. We acquire sufficient and appropriate audit evidence of the financial information of the entities forming the Consolidated Company to provide opinions regarding the consolidated financial statements. We are responsible for guidance, supervision and implementation in relation to audit cases and for the formation of audit opinions for the Consolidated Company.

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

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

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

KPMG Taiwan

CPAs:

Document No. of Approval and	Jin-Guan-Zheng-Liu-Zi No.
Certification by the Competent	: 0940100754
Authority for Securities	Jin-Guan-Zheng-Shen-Zi No.
	1110333933
March 13, 2025	

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

Consolidated Balance Sheet

December 31, 2024 and 2023

Unit: NTD thousand

Assets		2024.12.31		2023.12.31	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (Note 6(1))	\$ 2,750,908	18	1,790,514	12
1110	Financial assets measured at fair value through profit or loss – current (Note 6(2))	129,950	1	276,297	2
1141	Contract assets – current (Notes 6(7) and 6(16))	1,068,065	7	693,347	5
1170	Accounts receivables, net (Notes 6(4), 6(8), 6(16), 8 and 9)	1,232,096	8	1,579,650	10
1220	Income tax assets for the period	12,528	-	13,308	-
1410	Prepayments (Notes 6(7) and 7)	182,832	1	152,915	1
1476	Other financial assets – current (Notes 6(7) and 8)	500,679	3	682,648	4
1479	Other current assets	69,024	-	57,976	-
1482	Cost of contract performance – current	1,457	-	3,378	-
		<u>5,947,539</u>	<u>38</u>	<u>5,250,033</u>	<u>34</u>
Non-current assets:					
1510	Financial assets at fair value through profit or loss – non-current (Notes 6(2) and 6(12))	12,331	-	-	-
1517	Financial assets measured at fair value through other comprehensive income – non-current (Note 6(3))	150,349	1	172,789	1
1551	Investments accounted for using the equity method (Note 13)	121,371	1	111,343	1
1600	Property, plant and equipment (Notes 6(6) and 8)	680,346	4	671,958	4
1755	Right-of-use assets	7,148	-	18,755	-
1780	Intangible assets (Notes 6(7) and 8)	2,039,563	13	2,198,636	14
1840	Deferred income tax assets (Note 6(13))	92,376	1	102,514	1
1932	Long-term receivables (Notes 6(8) and 8)	6,512,790	42	6,746,205	44
1960	Prepayments – non-current (Note 6(7))	63,660	-	-	-
1980	Other financial assets – non-current (Notes 8 and 9)	51,174	-	163,682	1
		<u>9,731,108</u>	<u>62</u>	<u>10,185,882</u>	<u>66</u>
Total assets		\$ 15,678,647	100	15,435,915	100

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

Consolidated Balance Sheet (continued)

December 31, 2024 and 2023

Unit: NTD thousand

		2024.12.31		2023.12.31	
		Amount	%	Amount	%
Liabilities and equity					
Current liabilities:					
2100	Short-term loans (Note 6(10))	\$ 1,105,000	7	1,791,168	12
2111	Short-term notes payable (Note 6(9))	790,000	5	906,000	6
2120	Financial liabilities measured at fair value through profit or loss – current (Notes 6(2) and 6(12))	-	-	4,590	-
2130	Contract liabilities – current (Note 6(16))	246,190	2	131,976	1
2150	Notes payable (Note 7)	104,118	1	239,654	2
2170	Accounts payable (Note 7)	984,657	6	854,368	6
2200	Other payables (Notes 6(6), 6(17) and 7)	198,120	1	342,910	2
2230	Income tax liabilities for the period (Note 6(13))	56,932	-	69,315	-
2250	Liability provision – current	58,514	-	211,904	1
2280	Lease liabilities – current (Note 7)	3,428	-	3,047	-
2322	Long-term loans maturing within one year or operating cycle (Note 6(11))	337,276	2	173,326	1
2321	Corporate bonds maturing or puttable within one year or operating cycle (Note 6(12))	-	-	866,052	6
2399	Other current liabilities	3,101	-	6,926	-
		<u>3,887,336</u>	<u>24</u>	<u>5,601,236</u>	<u>37</u>
Non-current liabilities:					
2530	Corporate bonds payable (Note 6(12))	249,617	2	-	-
2540	Long-term loans (Note 6(11))	3,055,677	20	1,626,787	11
2550	Liability provision – non-current	70,682	-	72,658	-
2573	Deferred income tax liabilities (Note 6(13))	521,480	3	525,862	3
2580	Lease liabilities – non-current (Note 7)	3,394	-	16,954	-
2612	Long-term payables	45,242	-	53,392	-
2645	Deposits received	12,295	-	80,491	1
		<u>3,958,387</u>	<u>25</u>	<u>2,376,144</u>	<u>15</u>
	Total liabilities	<u>7,845,723</u>	<u>49</u>	<u>7,977,380</u>	<u>52</u>
Equity attributable to owners of the parent company (Notes 6(12) and 6(14)):					
3110	Common share capital	1,808,524	12	1,573,490	10
3200	Capital reserves	4,532,939	30	4,084,257	27
3310	Legal reserves	72,589	-	68,613	-
3320	Special reserves	38,729	-	59,185	-
3350	Undistributed earnings	167,331	1	39,751	-
3400	Other equity	(58,165)	-	(38,729)	-
	Subtotal of equity attributable to owners of the parent company	<u>6,561,947</u>	<u>43</u>	<u>5,786,567</u>	<u>37</u>
36xx	Non-controlling interests (Note 6(5))	<u>1,270,977</u>	<u>8</u>	<u>1,671,968</u>	<u>11</u>
	Total equity	<u>7,832,924</u>	<u>51</u>	<u>7,458,535</u>	<u>48</u>
	Total liabilities and equity	<u>\$ 15,678,647</u>	<u>100</u>	<u>15,435,915</u>	<u>100</u>

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

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

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

Consolidated Statement of Comprehensive Income

January 1 to December 31, 2024 and 2023

Unit: NTD thousand

		2024		2023	
		Amount	%	Amount	%
4000	Operating revenue (Notes 6(16), 7 and 9)	\$ 3,386,878	100	3,679,679	100
5000	Operating cost (Notes 6(7) and 7)	2,635,185	78	3,060,580	83
	Gross operating profit	751,693	22	619,099	17
6100	Operating expenses (Notes 6(4), 6(7), 6(17) and 7):				
6200	Administrative expense	243,441	7	212,147	6
6450	Expected credit loss	27	-	-	-
	Total operating expenses	243,468	7	212,147	6
	Net operating profit	508,225	15	406,952	11
	Non-operating revenues and expenses (Notes 6(6), 6(7), 6(8), 6(12), 6(18) and 7):				
7100	Interest income	21,756	1	10,980	-
7010	Other income	686	-	882	-
7020	Other profits and losses	48,157	1	28,217	1
7050	Financial cost	(152,177)	(4)	(168,769)	(5)
7370	Share of profits of associates accounted for using the equity method	6,770	-	5,533	-
	Total non-operating revenues and expenses	(74,808)	(2)	(123,157)	(4)
	Pre-tax net profit of continuing operations	433,417	13	283,795	7
7950	Less: Income tax expense (Note 6(13))	122,972	4	121,386	3
	Net profit for the period	310,445	9	162,409	4
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	(22,440)	(1)	49,961	1
8349	Less: income taxes associated with items not reclassified to profit or loss	-	-	-	-
	Total items not reclassified to profit or loss	(22,440)	(1)	49,961	1
8360	Items likely to be subsequently reclassified to profit or loss				
8361	Exchange differences on translation of financial statements of foreign operations	3,258	-	352	-
8370	Share of other comprehensive income of associates accounted for using the equity method – items likely to be reclassified as profit or loss	-	-	(1,525)	-
8399	Less: income taxes associated with items likely to be subsequently reclassified to profit or loss	-	-	-	-
	Total items likely to be subsequently reclassified to profit or loss	3,258	-	(1,173)	-
8300	Other comprehensive income for the period	(19,182)	(1)	48,788	1
	Total comprehensive income for the period	\$ 291,263	8	211,197	5
	Net profit for the period attributable to:				
8610	Owners of the parent company	\$ 167,187	5	39,751	1
8620	Non-controlling interests (Note 6(5))	143,258	4	122,658	3
		\$ 310,445	9	162,409	4
	Total comprehensive income attributable to:				
8710	Owners of the parent company	147,751	4	89,475	2
8720	Non-controlling interests (Note 6(5))	143,512	4	121,722	3
		291,263	8	211,197	5
	Earnings per share (Note 6(15))				
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 consolidated financial statements)

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

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

Consolidated Statement of Changes in Equity

January 1 to December 31, 2024 and 2023

Unit: NTD thousand

	Equity attributable to owners of the parent company									
	Share capital	Retained earnings				Other equity		Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
						Exchange differences on translation of financial statements of foreign operations	Unrealized profit (loss) on financial assets measured at fair value through other comprehensive income			
	Common share capital	Capital reserves	Legal reserves	Special reserves	Undistributed earnings					
Balance as of January 1, 2023	\$ 1,442,492	3,819,082	278,699	59,185	(210,086)	(1,264)	(87,189)	5,300,919	1,642,101	6,943,020
Net profit for the period	-	-	-	-	39,751	-	-	39,751	122,658	162,409
Other comprehensive income for the period	-	-	-	-	-	(1,283)	51,007	49,724	(936)	48,788
Total comprehensive income for the period	-	-	-	-	39,751	(1,283)	51,007	89,475	121,722	211,197
Allocation and distribution of earnings:										
Accumulated deficit covered by legal reserve	-	-	(210,086)	-	210,086	-	-	-	-	-
Cash capital increase	103,450	196,555	-	-	-	-	-	300,005	-	300,005
Conversion of convertible bonds	27,548	68,620	-	-	-	-	-	96,168	-	96,168
Increase/Decrease in non-controlling interests	-	-	-	-	-	-	-	-	29,400	29,400
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(121,255)	(121,255)
Balance as of December 31, 2023	1,573,490	4,084,257	68,613	59,185	39,751	(2,547)	(36,182)	5,786,567	1,671,968	7,458,535
Net profit for the period	-	-	-	-	167,187	-	-	167,187	143,258	310,445
Other comprehensive income for the period	-	-	-	-	-	3,258	(22,694)	(19,436)	254	(19,182)
Total comprehensive income for the period	-	-	-	-	167,187	3,258	(22,694)	147,751	143,512	291,263
Allocation and distribution of earnings:										
Legal reserve	-	-	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	-	627,629
Increase/Decrease in non-controlling interests	-	-	-	-	-	-	-	-	(283,176)	(283,176)
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	(261,327)	(261,327)
Balance as of December 31, 2024	\$ 1,808,524	4,532,939	72,589	38,729	167,331	711	(58,876)	6,561,947	1,270,977	7,832,924

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

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

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

Consolidated Statement of Cash Flows

January 1 to December 31, 2024 and 2023

Unit: NTD thousand

	2024	2023
Cash flows from operating activities:		
Pre-tax net profit for the period	\$ 433,417	283,795
Adjustments:		
Profits, expenses and losses		
Depreciation expense	36,779	39,987
Amortization expense	142,073	147,441
Expected credit losses	27	-
Net gains on financial assets and liabilities measured at fair value through profit or loss	(35,847)	(11,913)
Interest expense	135,888	147,418
Interest income	(21,756)	(10,980)
Dividend income	(282)	-
Share of profit of associates accounted for using the equity method	(6,770)	(5,533)
Gain (loss) on disposal and obsolescence of property, plant and equipment	(715)	435
Loss (gain) on disposal of intangible assets	(11,942)	5
Gain on reversal of impairment of non-financial assets	-	(8,190)
Gain on lease modification	(1,236)	(454)
Replacement expenses	6,920	8,803
Reversal of provisions	(149,860)	(60,211)
Total profits, expenses and losses	<u>93,279</u>	<u>246,808</u>
Changes in assets/liabilities related to operating activities:		
Financial assets measured at fair value through profit or loss on a mandatory basis	164,369	37,431
Contract assets	(415,889)	289,390
Notes receivable	-	4,888
Accounts receivable	362,590	(81,594)
Prepayments	(26,317)	15,121
Other current assets	(11,048)	18,390
Other financial assets	195,883	(151,724)
Cost of contract performance	1,921	(1,072)
Long-term receivables	194,688	179,593
Prepayments – non-current	3,600	-
Contract liabilities	114,214	11,099
Notes payable	(135,536)	(87,922)
Accounts payable	130,289	(26,193)
Other payables	20,354	19,307
Liability provision	(13,430)	(9,059)
Other current liabilities	(3,825)	(7,919)
Long-term payables	(8,150)	(7,828)
Total adjustments	<u>666,992</u>	<u>448,716</u>
Cash inflow from operations	1,100,409	732,511
Interest received	45,332	34,736
Dividends received	282	9,440
Interest paid	(129,334)	(131,302)
Income tax paid	(128,819)	(78,704)
Net cash inflow from operating activities	<u>887,870</u>	<u>566,681</u>

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

Consolidated Statement of Cash Flows (continued)

January 1 to December 31, 2023 and 2022

Unit: NTD thousand

	<u>2024</u>	<u>2023</u>
Cash flows from investing activities:		
Acquisition of property, plant and equipment	\$ (433,987)	(80,481)
Disposal of property, plant and equipment	334,966	90
Acquisition of intangible assets	(11,079)	(2,114)
Disposal of intangible assets	(1,414)	-
Decrease (increase) in other financial assets	110,832	(7,179)
Increase in other non-current assets	-	19,374
Net cash outflow from investing activities	<u>(682)</u>	<u>(70,310)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	(686,168)	181,168
Decrease in short-term notes payable	(116,000)	(240,000)
Borrowing of long-term loans	1,770,000	-
Repayment of long-term loans	(177,160)	(309,829)
Decrease in deposits received	(68,196)	(516)
Increase (decrease) in other receivables – related parties	(100,000)	100,000
Repayment of principal of lease	(4,767)	(7,780)
Distribution of cash dividends	(261,327)	(121,255)
Cash capital increase	-	300,005
Change in non-controlling interests	(283,176)	29,400
Net cash inflow (outflow) from financing activities	<u>73,206</u>	<u>(68,807)</u>
Effect of changes in exchange rate on cash and cash equivalents	-	352
Increase in cash and cash equivalents for the period	960,394	427,916
Beginning balance of cash and cash equivalents	1,790,514	1,362,598
Ending balance of cash and cash equivalents	<u><u>\$ 2,750,908</u></u>	<u><u>1,790,514</u></u>

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

Chairman: Kuo, Yu-Chi

President: Wu, Jen-Chieh

Accounting Manager: Yang, Hsin-Wen

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

II. Date and procedures of approval of the financial statements

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

New or amended standards	Major amendments	Effective date by IASB
IFRS 18 “Presentation and Disclosure in Financial Statements”	<p data-bbox="726 309 1209 645">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 data-bbox="794 667 1209 1906" style="list-style-type: none"> <li data-bbox="794 667 1209 1167">• 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 data-bbox="794 1189 1209 1585">• 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 data-bbox="794 1608 1209 1906">• 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. 	January 1, 2027

The Consolidated Company is continuously assessing the possible impact that the application of aforementioned standards and interpretations will have on the Consolidated Company’s

financial position and financial performance and will disclose the relevant impact when the assessment is completed.

The Consolidated Company 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 consolidated financial statements are described below. Unless specified otherwise, the following accounting policies have been consistently applied to all presentation periods of this consolidated financial statements.

(I) Statement of compliance

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

(II) Basis of preparation

1. Basis of measurement

Except for the following major titles of the balance sheet, this consolidated financial 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

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

(III) Basis of consolidation

1. Principles for the preparation of the consolidated financial statements

The subjects of the consolidated financial statements include the Company and the entities controlled by the Company (i.e., subsidiaries). The Company controls an investee entity

when it is exposed to, or has rights to, variable returns from its participation in the entity and is able to influence such returns through its power over the entity.

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

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

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

2. Subsidiaries included in the consolidated financial statements

The following subsidiaries are included in this consolidated financial statements:

Name of investor company	Name of subsidiary	Nature of business	Percentage of all shareholdings		Description
			2024.12.31	2023.12.31	
The Company	Green Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	70.00	70.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Orient Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Perfection Forest Development Enterprise Co., Ltd.	Water treatment, piping, wastewater (sewage) treatment, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Top Forest Water Co., Ltd.	Water treatment, treatment of reclaimed water, etc.	70.00	70.00	An investee in which the Company has a comprehensive shareholding of more than 50% (Note 1)
The Company	Easy Development Co., Ltd.	Waste disposal, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Grain Forest Green Energy Co., Ltd.	Power generation from renewable energy	70.00	70.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Eastern Forest Environmental	Environmental health and pollution	70.00	70.00	An investee in which the Company has a

Name of investor company	Name of subsidiary	Nature of business	Percentage of all shareholdings		Description
			2024.12.31	2023.12.31	
	Technology Co., Ltd.	prevention, etc.			comprehensive shareholding of more than 50%
The Company	Re-use Environmental Co., Ltd.	Waste disposal, etc.	50.41	50.41	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Rising Environmental Co., Ltd.	Waste disposal, etc.	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Modern Rich Investment Limited	Investments in production and financial businesses	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%
The Company	Lea Lea Environmental Enterprise Co., Ltd.	Waste disposal, etc.	95.00	95.00	An investee in which the Company has a comprehensive shareholding of more than 50%
Modern Rich Investment Ltd.	Faith Honest International Investment Limited	Investments in production and financial businesses	100.00	100.00	An investee in which the Company has a comprehensive shareholding of more than 50%

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

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

(IV) Foreign currency

1. Foreign currency transactions

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

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

Foreign currency exchange differences arising from translation are usually recognized in profit 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 difference related to the foreign operation are reclassified in profit or loss. In the case of partial disposal of a subsidiary that includes foreign operations, the related accumulated exchange differences are reattributed to non-controlling interests on a pro rata basis. In the case of partial disposal of the investment of an associate or joint venture that includes foreign operations, the related accumulated exchange differences are reclassified as profit 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.

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

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

1. The assets are expected to be realized in the normal operating cycle (usually more than one year for engineering) or intended to be sold or consumed;
2. the assets are held primarily for the purpose of transaction;
3. the assets are expected to be realized within 12 months after the reporting period; or
4. the assets are cash or cash equivalents (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 normal operating cycle (usually more than one year for engineering);
2. the liabilities are held primarily for the purpose of transaction;
3. the liabilities are due to be settled within twelve months after the reporting period ; or
4. The Consolidated 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.

(VI) Cash and cash equivalents

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

(VII) Financial instruments

Accounts receivable and debt securities issued are initially recognized at the time they arise. All other financial assets and liabilities are initially recognized when the Consolidated Company becomes a party to the contractual terms of the financial instrument. Financial assets or liabilities not measured at fair value through profit 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 Consolidated Company subjects all purchases and sales of financial assets classified in the same manner to accounting treatment based on the transaction date or settlement date.

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

(1) Financial assets measured at amortized cost

Financial assets that meet the following criteria and are not designated as measured at fair value through profit 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 Consolidated Company may make an irrevocable election to recognize the subsequent changes in the fair value of any investment in equity instruments not held for transaction in other comprehensive income. Such 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.

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

(3) Financial assets measured at fair value through profit 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. To eliminate or significantly reduce any accounting mismatch, the Consolidated Company may irrevocably designate financial assets measured at amortized cost or at fair value through other comprehensive income as financial assets measured at fair value through profit or loss at the time of initial recognition.

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

(4) Impairment of financial assets

The Consolidated Company recognizes loss allowance for the expected credit loss of financial assets (including cash and cash equivalents, notes and accounts receivable, deposits paid, and other financial assets) and contract assets measured at amortized cost. Loss allowance is measured at the amount of the 12-month expected credit loss for the following financial assets, and measured at the full lifetime expected credit loss for the others:

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

The loss allowance for accounts receivable and contract assets are measured at the amount

of the full lifetime expected credit loss.

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

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

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

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

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

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

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

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

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

The loss allowance for financial assets measured at amortized cost are deducted from the

carrying amount of the assets. The loss allowance for debt instruments measured at fair value through other comprehensive income is adjusted for profit or loss and recognized in other comprehensive income (without reducing the carrying amount of the assets).

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

(5)Derecognition of financial assets

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

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

2. Financial liabilities and equity instruments

(1)Classification of liabilities or equity

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

(2)Equity transactions

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

(3)Treasury stocks

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

(4)Compound financial instruments

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

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

After initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest rate method. The equity component of a compound financial instrument is not remeasured after initial recognition. Interest related to financial liabilities is recognized in profit 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, and subsequently 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 Consolidated Company derecognizes financial liabilities when the contractual obligations have been fulfilled or canceled or have expired. When the terms of a financial liability are amended and there is a significant difference in the cash flow of the liability after amendment, the original financial liability is derecognized, and a new financial liability is recognized at fair value based on the amended terms.

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

(7)Offsetting of financial assets against liabilities

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

(VIII)Service concession arrangements

1. Recognition and measurement

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

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

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

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

2. Construction or upgrading service

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

3. Operating service

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

(IX) Investments in associates

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

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

The consolidated financial statements include the amount of the profit or loss and other

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

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

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

(X) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. Subsequent costs

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

3. Depreciation

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

Buildings and structures	20~50 years
Transportation equipment	2~6 years
Machine equipment	2~10 years
Other equipment	3~20 years

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

(XI) Lease

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

1. Lessee

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

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

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

- (1) Fixed payments, including substantive fixed payments;
- (2) For variable lease payments contingent on a certain index or rate, the index or rate on the lease commencement date is used for the initial measurement;
- (3) The guaranteed amount of residual value expected to be paid; and
- (4) The exercise price or the penalty payable when the purchase option or lease termination option is reasonably determined to be exercised.

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

- (1) A change in the index or rate used to determine lease payments has resulted in a change in future lease payments;
- (2) There is a change in the guaranteed amount of residual value expected to be paid;
- (3) There is a change in the assessment of the purchase option for the underlying asset;

- (4) There is a change in the estimation of whether to extend or terminate the option, and the assessment of the lease term is changed;
- (5) Any amendment to the subject, scope or other terms of lease.

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

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

2. Lessor

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

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

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

(XII) Intangible assets

1. Recognition and measurement

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

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

2. Concessions

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

3. Operating rights

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

4. Subsequent expenses

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

5. Amortization

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

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

- (1) Concessions: 5-32 years
- (2) Operating rights: 25 years

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

(XIII) Impairment of non-financial assets

On each reporting date, the Consolidated Company assesses whether there is any indication that the carrying amount of non-financial assets (except for 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 Consolidated Company 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 are reversed only within the carrying amount (less depreciation or amortization) of the asset determined where no impairment loss was recognized in prior years.

(XIV) Provision

Provision is recognized when the Consolidated Company has a current obligation as a result of a past event, and is very likely to require an outflow of resources with economic benefits to settle the obligation in the future, where the amount of the obligation can be reliably estimated. Liability provision is discounted at a pre-tax discount rate that reflects the current market's assessment of the time value of 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 Consolidated Company expects that the inevitable cost of fulfilling a contractual obligation exceeds the economic benefits expected from the contract, the liability provision for the onerous contract is recognized. The liability provision is measured at the present value of the lower of the estimated cost of termination of the contract and the estimated net cost of continuation of the contract, and all impairment losses of assets related to the contract are recognized before the liability provision for the onerous contract is recognized.

3. Repair cost

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

assessment of the time value of the currency and specific risks of liabilities, and the amortization of the discount is recognized as an interest expense.

(XV) Recognition of revenue

1. Revenue from customer contracts

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

(1) Engineering contracts

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

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

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

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

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

(3) Provision of waste treatment services

The Consolidated Company engages in the business of waste treatment, and recognizes

related revenue during the financial reporting period when services are provided. For a fixed-price contract, revenue is recognized based on the point of time when the performance obligation is fulfilled for the actual services provided as of the reporting date.

(4) Sale of recycled aggregates

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

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

(5) Revenue from electricity sales

The Consolidated Company sells electricity generated to customers, and recognizes revenue when the electric energy produced by the Consolidated Company has been provided to the customers.

2. Cost of performing a contract

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

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

(XVI) Employee benefits

1. Defined contribution plan

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

2. Short-term employee benefits

The obligations of short-term employee benefits are recognized as expenses at the time of

provision of services. Where the Consolidated Company has a current legal or constructive payment obligation due to past services provided by an employee and such obligation can be reliably estimated, its amount is recognized as a liability.

(XVII) Share-based payment transactions

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

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

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

(XVIII) Income tax

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

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

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

3. Any taxable temporary difference arising from the initial recognition of goodwill.

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

Deferred income tax is measured at the tax rate at the time when the temporary difference is expected to be reversed, using the statutory tax rate or substantively enacted tax rate on the reporting date.

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

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

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

(XIX) Earnings per share

The Consolidated Company lists the basic and diluted earnings per share (EPS) attributable to the holders of the Company's common share equity. The Consolidated Company's basic EPS is calculated by dividing the profit 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 Consolidated Company's potential diluted common shares include convertible corporate bonds and employee stock options.

(XX) Segment information

The operating segment is a component of the Consolidated Company engaging in operating activities that may earn revenue and incur expenses (including revenue and expenses related

to transactions between other components of the Consolidated Company). The operating results of all operating segments are regularly reviewed by the chief operating decision-maker of the Consolidated Company to make decisions on the allocation of resources to each segment and evaluate its performance. Each operating segment has its own financial information.

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

The preparation of the consolidated 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 Consolidated 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.

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

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

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

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

The relevant information is as follows:

- (II) Engineering contracts and onerous contracts

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

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

During the process of assessing asset impairment, the Consolidated Company must rely on subjective judgments to determine the independent cash flows, useful lives of assets, and possible future profits, expenses and losses of specific asset groups based on the model of asset

use and the characteristics of the industry. Any change in estimates caused by a changing economic condition or the Company's strategy is likely to result in significant impairment or reversal of the recognized impairment loss in the future. For a description of the key assumptions used in the recoverable amount, see Notes 6(6) and 6(7).

[Evaluation process]

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

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

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

[Policy for transfer between different levels]

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

[Further information of assumptions adopted for fair value measurement]

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

VI. Description of major accounting titles

(I) Cash and cash equivalents

	<u>2024.12.31</u>	<u>2023.12.31</u>
Petty cash	\$ 8,512	8,150
Demand deposits	2,112,951	1,668,100
Check deposits	128,962	64,264
Time deposits	100,000	50,000
Cash equivalents – bonds with repurchase agreements	400,483	-
Cash and cash equivalents listed in the statements of cash flows	<u>\$ 2,750,908</u>	<u>1,790,514</u>

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

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial assets mandatorily measured at fair value through profit or loss:		
Non-derivative financial assets - current		
Beneficiary certificates – open-end funds	\$ 123,776	263,559
Stocks of public companies	6,174	12,738
Derivative financial assets – non-current		
Redemption rights and put options of convertible bonds	281	-
Privately placed stocks of public companies	12,050	-
Total	<u>\$ 142,281</u>	<u>276,297</u>

	<u>2024.12.31</u>	<u>2023.12.31</u>
Financial liabilities mandatorily measured at fair value through profit or loss:		
Derivative financial liabilities – current and non-current		
Redemption rights and put options of convertible bonds	<u>\$ -</u>	<u>4,590</u>

- Please refer to Note 6(19) for information on credit risk and market risk.
- The aforementioned financial assets were not pledged as collateral.

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Equity instruments measured at fair value through other comprehensive income:		
Domestic emerging stocks – Tien Li Offshore Wind Technology Co., Ltd.	\$ 36,675	63,155
Non-listed stocks – Yung Fu Co., Ltd.	10,905	10,393
Non-listed stocks – Asia Renewable Energy (Cayman) Ltd.	37,961	38,581
Non-listed stocks – Taiya Renewable Energy Co., Ltd.	64,808	60,660

Total	\$	<u>150,349</u>	<u>172,789</u>
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1. The investments in the equity instruments at fair value through other comprehensive income are held by the Consolidated Company as long-term strategic investments not for the purpose of transaction, and therefore have been designated to be measured at fair value through other comprehensive income.
2. Please refer to Note 6(19) for information on credit risk and market risk.
3. The aforementioned financial assets were not pledged as collateral.

(IV) Notes and accounts receivable

	<u>2024.12.31</u>	<u>2023.12.31</u>
Accounts receivable – measured at amortized cost	\$ 1,232,123	1,579,650
Less: Loss allowance	(27)	-
	<u>\$ 1,232,096</u>	<u>1,579,650</u>

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

- (1) The expected credit losses of the notes and accounts receivable of government agencies are analyzed by the Consolidated Company as follows:

<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>Allowance for lifetime expected credit loss</u>
Not past due	\$ <u>823,904</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>Allowance for lifetime expected credit loss</u>
Not past due	\$ <u>1,072,481</u>	-	-

- (2) The expected credit losses of the notes and accounts receivable of other customers are analyzed by the Consolidated 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>Allowance for lifetime expected credit loss</u>
Not past due	\$ 33,359	-	-

Past due for 31 ~ 360 days	<u>27</u>	100%	<u>27</u>
	<u>\$ 33,386</u>		<u>27</u>

	2023.12.31		
<u>Interval of account age</u>	<u>Carrying amount of accounts receivable</u>	<u>Weighted average rate of expected credit loss</u>	<u>Allowance for lifetime expected credit loss</u>
Not past due	<u>\$ 59,450</u>	-	<u>-</u>

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Disputed amount	\$ 538,750	538,750
Less: Expected loss (Note)	<u>(163,917)</u>	<u>(91,031)</u>
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. Changes in loss allowances for notes receivables and accounts receivables are as follows:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$ -	-
Impairment losses recognized	<u>27</u>	<u>-</u>
Ending balance	<u>\$ 27</u>	<u>-</u>

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

(V) Subsidiaries with material non-controlling interests

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

<u>Name of subsidiary</u>	Principal place of business/Country of registration of the company	Share of the equity ownership and voting rights of non-controlling interests	
		<u>2024.12.31</u>	<u>2023.12.31</u>
Green Forest Development Enterprise Co., Ltd.	Taiwan	30.00%	30.00%
Grain Forest Green Energy Co., Ltd.	Taiwan	30.00%	30.00%
Re-use Environmental Co., Ltd.	Taiwan	49.59%	49.59%
Top Forest Water Co., Ltd.	Taiwan	30.00%	- %

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

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Current assets	\$ 1,214,756	808,729
Non-current assets	3,603,027	3,743,368
Current liabilities	(483,532)	(198,736)
Non-current liabilities	<u>(1,637,771)</u>	<u>(275,921)</u>
Net assets	<u>\$ 2,696,480</u>	<u>4,077,440</u>
Carrying amount of non-controlling interests at end of the period	<u>\$ 808,944</u>	<u>1,223,232</u>

	2024	2023
Operating revenue	\$ 579,858	657,203
Net profit for the period	\$ 281,679	295,666
Other comprehensive income	-	-
Total comprehensive income	\$ 281,679	295,666
Net profit for the period attributable to non-controlling interests	\$ 84,503	88,700
Total comprehensive income attributable to non-controlling interests	\$ 84,503	88,700
Cash flows from operating activities	\$ 584,244	394,946
Cash flows from investing activities	(596)	(90)
Cash flows from financing activities	(132,639)	(312,005)
Increase in cash and cash equivalents	\$ 451,009	82,851
Dividends paid to non-controlling interests	\$ 214,115	93,602

The subsidiary, Green Forest Development Enterprise Co., Ltd., has resolved by the regular shareholders meeting on July 24, 2024 to approve the cash capital reduction proposal. The capital was reduced by \$948,921 thousand, and the number of shares has been eliminated by 94,892 thousand shares. The based date of the capital reduction is July 31, 2024. The relevant legal registration procedures have been completed.

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

	2024.12.31	2023.12.31
Current assets	\$ 82,627	63,711
Non-current assets	420,692	459,830
Current liabilities	(11,969)	(17,499)
Non-current liabilities	(273,200)	(280,374)
Net assets	\$ 218,150	225,668
Carrying amount of non-controlling interests at end of the period	\$ 65,445	67,700
	2024	2023
Operating revenue	\$ 43,071	44,073
Net loss for the period	\$ (7,518)	(13,167)
Other comprehensive income	-	-
Total comprehensive income	\$ (7,518)	(13,167)
Net loss for the period attributable to non-controlling interests	\$ (2,255)	(3,950)
Total comprehensive income attributable to non-controlling interests	\$ (2,255)	(3,950)
Cash flows from operating activities	\$ 3,963	(569)
Cash flows from investing activities	11,626	6,258
Cash flows from financing activities	(11,000)	(11,000)
Increase (Decrease) in cash and cash equivalents	\$ 4,589	(5,311)

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

	2024.12.31	2023.12.31
Current assets	\$ 225,703	294,128
Non-current assets	829,086	507,207
Current liabilities	(116,681)	(105,603)
Non-current liabilities	(216,663)	(10,261)
Net assets	\$ 721,445	685,471
Carrying amount of non-controlling interests at end of the period	\$ 357,782	339,942
	2024	2023
Operating revenue	\$ 442,088	324,750
Net profit for the period	130,661	84,574
Other comprehensive income	513	(2,109)
Total comprehensive income	\$ 131,174	82,465
Net profit for the period attributable to non-controlling interests	\$ 64,798	41,942
Total comprehensive income attributable to non-controlling interests	\$ 65,052	40,896
Cash flows from operating activities	\$ 226,850	134,295
Cash flows from investing activities	(363,635)	(73,931)
Cash flows from financing activities	135,500	(56,644)
Increase in cash and cash equivalents	\$ (1,285)	3,720
Dividends paid to non-controlling interests	\$ 47,212	(27,653)

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

	2024.12.31	2023.12.31
Current assets	\$ 111,986	100,118
Non-current assets	-	100,000
Current liabilities	(18,124)	(101,313)
Non-current liabilities	-	-
Net assets	\$ 93,862	98,805
Carrying amount of non-controlling interests at end of the period	\$ 28,159	29,642
	2024	2023
Operating revenue	\$ 29,842	-
Net loss for the period	\$ (4,943)	(1,195)
Other comprehensive income	-	-
Total comprehensive income	(4,943)	(1,195)
Net loss for the period attributable to non-controlling interests	\$ (1,483)	(359)
Total comprehensive income attributable to non-controlling interests	\$ (1,483)	(359)
Cash flows from operating activities	\$ 80,346	24
Cash flows from investing activities	-	(100,000)
Cash flows from financing activities	(100,000)	200,000
Increase (Decrease) in cash and cash equivalents	\$ (19,654)	100,024

(VI) Property, plant and equipment

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

	Land	Premises and buildings	Transport ation equipment	Other equipment	Uncomplet ed projects	Total
Cost or recognized cost:						
Balance as of January 1, 2024	\$ 456,838	96,876	37,398	267,363	62,010	920,485
Addition	281,000	19,022	7,785	15,562	51,618	374,987
Disposal and derecognition	(326,058)	(36,803)	(6,929)	(82,838)	-	(452,628)
Reclassification	-	-	-	113,156	(113,156)	-
Balance as of December 31, 2024	\$ 411,780	79,095	38,254	313,243	472	842,844
Balance as of January 1, 2023	\$ 456,838	95,439	36,121	259,383	3,410	851,191
Addition	-	-	1,334	19,275	59,872	80,481
Disposal and derecognition	-	-	(57)	(11,295)	-	(11,352)
Reclassification	-	1,437	-	-	(1,272)	165
Balance as of December 31, 2023	\$ 456,838	96,876	37,398	267,363	62,010	920,485
Depreciation and impairment loss:						
Balance as of January 1, 2024	\$ -	49,961	28,566	170,000	-	248,527
Depreciation in the year	-	2,120	3,885	26,343	-	32,348
Disposal and derecognition	-	(36,804)	(6,091)	(75,482)	-	(118,377)
Balance as of December 31, 2024	\$ -	15,277	26,360	120,861	-	162,498
Balance as of January 1, 2023	\$ -	48,411	25,104	150,351	-	223,866
Depreciation in the year	-	1,550	3,518	27,329	-	32,397
Impairment loss	-	-	-	3,091	-	3,091
Disposal and derecognition	-	-	(56)	(10,771)	-	(10,827)
Balance as of December 31, 2023	\$ -	49,961	28,566	170,000	-	248,527
Carrying amount:						
December 31, 2024	\$ 411,780	63,818	11,894	192,382	472	680,346
January 1, 2023	\$ 456,838	47,028	11,017	109,032	3,410	627,325
December 31, 2023	\$ 456,838	46,915	8,832	97,363	62,010	671,958

1. As of December 31, 2024 and 2023, the unpaid amounts of purchasing property, plant and equipment were \$0 and \$59,000 thousand, respectively, which were recognized as other payables.
2. The Consolidated Company has resolved by the board of directors on March 14, 2024 to approve the acquisition of the 11 numbers of land and buildings located on No. 1215, Jhuanzi Section, Ligang Township and No. 0084, Yonglong Section, Yenpu Township, etc. in Pingtung County, and originally rent by leasing, and signed the contract of the sale and purchase with a non-related party. The total contract amounted to \$300,000 thousand (tax included), which was determined by referring to appraisal report and negotiation. The aforementioned payment has been paid in full, and the ownership transfer registration procedures have been completed.

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

3. The Consolidated 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.
4. In 2023, the subsidiary Eastern Forest Environmental Technology Co., Ltd. was affected by the economic environment, and its operating performance fell short of expectations, resulting in losses. The Company conducted an assessment of impairment of non-financial assets to test the fair value of property, plant and equipment less the disposal cost as the basis for calculation of the recoverable amount. After the assessment, the estimated recoverable amount was less than the carrying amount, so an impairment loss of NTD 3,091 thousand was recognized and accounted for in other profits and losses.
5. Please refer to Note 8 for the details of property ,plant and equipment pledged as collaterals for bank loans and guarantees for credit lines.

(VII) Intangible assets

The changes in the cost, amortization and impairment loss of the Consolidated Company's intangible assets in 2024 and 2023 are detailed as follows:

	<u>Concessions</u>	<u>Operating rights</u>	<u>Computer software, etc.</u>	<u>Goodwill</u>	<u>Total</u>
Cost:					
Balance as of January 1, 2024	\$ 2,729,397	504,237	738	30,822	3,265,194
Acquisition	11,079	-	-	-	11,079
Transfer in	41,575	-	-	-	41,575
Disposal and derecognition	(189,100)	-	(738)	-	(189,838)
Balance as of December 31, 2024	<u>\$ 2,592,951</u>	<u>504,237</u>	<u>-</u>	<u>30,822</u>	<u>3,128,010</u>
Balance as of January 1, 2023	\$ 2,688,406	504,237	738	30,822	3,224,203
Acquisition	2,114	-	-	-	2,114
Transfer in	38,918	-	-	-	38,918
Disposal and derecognition	(41)	-	-	-	(41)
Balance as of December 31, 2023	<u>\$ 2,729,397</u>	<u>504,237</u>	<u>738</u>	<u>30,822</u>	<u>3,265,194</u>
Amortization and impairment loss:					
Balance as of January 1, 2024	\$ 918,135	121,017	738	26,668	1,066,558
Amortization in the period	121,904	20,169	-	-	142,073
Disposal and derecognition	(119,446)	-	(738)	-	(120,184)
Balance as of December 31, 2024	<u>\$ 920,593</u>	<u>141,186</u>	<u>-</u>	<u>26,668</u>	<u>1,088,447</u>
Balance as of January 1, 2023	\$ 802,180	100,848	738	26,668	930,434
Amortization in the period	127,272	20,169	-	-	147,441
Reversal of impairment loss	(11,281)	-	-	-	(11,281)

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

	<u>Concessions</u>	<u>Operating rights</u>	<u>Computer software, etc.</u>	<u>Goodwill</u>	<u>Total</u>
Disposal and derecognition	(36)	-	-	-	(36)
Balance as of December 31, 2023	<u>\$ 918,135</u>	<u>121,017</u>	<u>738</u>	<u>26,668</u>	<u>1,066,558</u>
Carrying amount:					
December 31, 2024	<u>\$ 1,672,358</u>	<u>363,051</u>	<u>-</u>	<u>4,154</u>	<u>2,039,563</u>
January 1, 2023	<u>\$ 1,886,226</u>	<u>403,389</u>	<u>-</u>	<u>4,154</u>	<u>2,293,769</u>
December 31, 2023	<u>\$ 1,811,262</u>	<u>383,220</u>	<u>-</u>	<u>4,154</u>	<u>2,198,636</u>

1. Recognized amortization and impairment

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

	<u>2024</u>	<u>2023</u>
Operating cost	\$ 116,596	121,964
Administrative expense	25,477	25,477
Other profits and losses	-	(11,281)
Total	<u>\$ 142,073</u>	<u>136,160</u>

2. In 2024 and 2023, the Consolidated Company achieved phased completion in accordance with the service concession arrangements between it and government agencies, and transferred \$41,575 thousand and \$38,918 thousand, respectively, from the contract assets.
3. The subsidiary Grain Forest Green Energy Co., Ltd. was estimated to be unable to achieve the expected benefits due to the effects of the raw material market and industrial environment on implementation of the project for ancillary facilities. Therefore, the subsidiary sent a letter to the owner, the Environmental Protection Bureau of Taichung City Government, on September 7, 2021 to reach an agreement to terminate the contract of the project for ancillary facilities. On September 22, 2023, both parties reached an agreement to terminate the contractual relationship for the ancillary facilities of the gasification system and made the following adjustments to the rights and obligations:

(1) Early return of assets

The subsidiary must complete the return of the assets of Rice Straw Storage Area 1, Rice Straw Storage Area 2 and the gasified power generation room within 90 days following the conclusion of the agreement, and the remaining rice straw gasification equipment installed with investment from the subsidiary must be disposed of by the subsidiary. The aforementioned assets have been returned on April 29, 2024.

(2) Restrictions on self-sourced materials

For decomposition of the subsidiary's compostable food waste, the maximum amount

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

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

4. Additionally, due to the conclusion of the aforementioned agreement, the subsidiary, Grain Forest Green Energy Co., Ltd., assessed and reversed impairment of NTD 11,281 thousand recognized in prior years based on the fair value of NTD 70,860 thousand of the returned assets in 2023. The fair value was estimated by external experts using the cost method, and the measurement of the fair value was classified as Level 3 since it used material unobservable inputs.

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

	<u>2023.12.31</u>
Physical depreciation	18%
Functional depreciation	4%
Economic depreciation	- %

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

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

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

5. The subsidiary, Grain Forest Green Energy Co., Ltd., returned the assets in exchange for the cleanup of self-raised source services in the future in 2024. Therefore, the fair value of the assets returned amounting to \$70,860 thousand is recognized as prepayments for future cleanup services, and gains on disposals of intangible assets of \$1,208 thousand are recognized by the fair value of assets returned. As of December 31, 2024, prepayments and

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

prepayments – non-current were recognized by \$3,600 thousand and \$63,660 thousand, respectively. Besides, the subsidiary sold the aforementioned rice straw gasification equipment to a non-related party in 2024. The proceeds from the disposal amounted to \$13,500 thousand (tax excluded), and gains on disposal recognized amounted to \$10,734 thousand (after deducting equipment demolition costs of \$2,764 thousand). As of December 31, 2024, the proceeds from the disposal of \$12,150 thousand haven't been collected, which are recognized under other financial assets – current. Based on the agreement between both parties, \$2,700 thousand will be paid on March 31, 2024, and the residual \$9,450 thousand will be paid in 7 instalments in every two months from May 2025 to May 2026.

6. Please refer to Note 8 for the details of intangible assets pledged as collaterals for bank loans and guarantees for credit lines.

(VIII) Long-term receivables

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

	2024.12.31	2023.12.31
Long-term receivables	\$ 6,741,030	6,959,382
Current	\$ 228,240	213,177
Non-current	6,512,790	6,746,205
Total	\$ 6,741,030	6,959,382

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

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

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

Based on the present value of a four-year annuity, the delay interests as of December 31, 2024 and 2023 were presented as follows.

	<u>2024.12.31</u>	<u>2023.12.31</u>
Accounts receivables	\$ 23,930	23,930
Long-term receivables	23,663	47,327
	<u>\$ 47,593</u>	<u>71,257</u>

Besides, the interest income recognized for the years ended December 31, 2024 and 2023 amounted to \$266 thousand and \$354 thousand, respectively.

2. Please refer to Note 8 for the details of the aforementioned long-term receivables pledged as collaterals for bank loans and guarantees for credit lines.

(IX) Short-term notes payable

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

	<u>2024.12.31</u>	
	<u>Guaranteeing or accepting institution</u>	<u>Interest rate range</u>
		<u>Amount</u>
Commercial papers payable	Mega Bills Finance Co., Ltd.	\$ 30,000
"	Grand Bills Finance Corp.	80,000
	Ta Ching Bills Finance Corporation	100,000
"	Taiwan Cooperative Bills Finance Corporation	190,000
	DAH CHUNG BILLS FINANCE CORP.	50,000
"	International Bills Finance Corporation	90,000
"	China Bills Finance Corporation	180,000
	TAIWAN FINANCE CORPORATION	70,000
Total		<u>\$ 790,000</u>

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

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

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

(X) Short-term loans

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

	2024.12.31	2023.12.31
Unsecured bank loans	\$ 630,000	980,000
Secured bank loans	475,000	811,168
Total	<u><u>\$ 1,105,000</u></u>	<u><u>1,791,168</u></u>
Unused credit line	<u><u>\$ 1,145,772</u></u>	<u><u>771,571</u></u>
Interest rate range	<u><u>2.38%~2.91%</u></u>	<u><u>2.21%~2.74%</u></u>

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

(XI) Long-term loans

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

	2024.12.31			
	Currency	Interest rate range	Date of maturity	Amount
Unsecured bank loans	NTD	2.69%	2030	\$ 1,530,000
Secured bank loans	NTD	2.05%~3.22%	2026~2036	1,866,098
Less: Service fees for syndicated loans				(3,145)
Less: Amount maturing within 1 year				<u>(337,276)</u>
Total				<u><u>\$ 3,055,677</u></u>
Unused credit line				<u><u>\$ 60,000</u></u>

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

2023.12.31				
	Currency	Interest rate range	Date of maturity	Amount
Secured bank loans	NTD	2.35%~3.59%	2025~2036	\$ 1,804,149
Less: Service fees for syndicated loans				(4,036)
Less: Amount maturing within 1 year				<u>(173,326)</u>
Total				<u><u>\$ 1,626,787</u></u>
Unused credit line				<u><u>\$ 60,000</u></u>

1. Material loan agreements

- (1) For the construction and operation of a sanitary sewer in Luodong, Yilan County, the subsidiary, Orient Forest Development Enterprise Co., Ltd., signed a syndicated loan agreement with a syndicate of eight banks (Land Bank and others), according to which the subsidiary shall maintain a certain level of financial ratios at the end of each year:
 - (i) Debt-to-equity ratio (total liabilities/total equity): less than or equal to 200%.
 - (ii) The times interest earned of the principal to be maintained by the subsidiary at the end of each year [(after-tax net profit + depreciation + interest expense + amortization of long-term receivables) / (principal repayable on medium-to-long-term debts for the period + interest expense)]: more than or equal to 1.
 - (iii) From the date of notice by the administering bank to the day before the improvement date, additional interest will be accrued at an annual rate of 0.25% on each loan balance. If no improvement is completed within the said period, an amount of the total outstanding balance on the expiry date of the improvement period (i.e., December 31) shall be paid to the administering bank at a rate of 0.1%.
- (2) For the construction and operation of a composting plant (green energy ecological park) in Waipu, Taichung City, the subsidiary, Grain Forest Green Energy Co., Ltd., signed a loan agreement with the lending bank, according to which the subsidiary shall maintain a certain level of financial ratios at the end of each year (to be reviewed in financial statements starting from 2024):
 - (i) Current ratio (current assets/current liabilities): more than or equal to 100% from 2024 to 2032.

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

- (ii) Debt-to-equity ratio (total liabilities/total equity): less than or equal to 280% in 2024, less than or equal to 270% in 2025, less than or equal to 250% in 2026, less than or equal to 230% from 2027 to 2032.
 - (iii) The times interest earned of the principal to be maintained by the Company at the end of each year [(after-tax net profit + depreciation + amortization + interest expense) / (interest expense)]: more than or equal to 1 from 2027 to 2032. Interest coverage ratio is exempt from being verified from 2024 to 2026.
 - (iv) If the financial ratios breach the aforementioned limitations, in accordance with the agreements in the contract, from the date of notice by the bank to the day before the improvement date, additional interest will be accrued at an annual rate of 0.15% on each loan balance. If no improvement is completed within the said period, an amount of the total outstanding balance on the expiry date of the improvement period shall be paid to the bank at a rate of 0.1%.
- (3) The subsidiary, Green Forest Development Enterprise Co., Ltd., entered into a credit facility agreement with the credit bank for operating turnover. According to the contract, the Company shall maintain a certain level of financial ratio at the end of each year:
- (i) Cash flows from operating activities shall not be lower than \$250,000 thousand.
 - (ii) EBITA of the current year/(principal + interest amortized in the year) shall not be lower than 1.2 times.
 - (iii) If one of the aforementioned conditions is not achieved, principal of \$50,000 thousand shall be repaid in advance, and the principal repaid in advance is not included in the principal that shall be repaid in the year.
- (4) The subsidiary, Top Forest Water Co., Ltd., entered into a credit facility agreement with the syndicated credit bank club for the construction project of Nanzi Reclaimed Water Advanced Treatment Facility, and acquired a credit line amounting to \$6,500,000 thousand. According to the contract, the subsidiary shall maintain a certain level of financial ratio, and is reviewed once per year:
- (i) Debt ratio (Total debt ÷ net worth): From 2024 to 2030, the ratio shall not exceed 250%. Since 2031, the ratio shall not exceed 180%.
 - (ii) Principal and interest coverage ratio **【**(net profit before tax + interest expenses + depreciation + amortization + revenue from construction + differences paid)÷(principal of long-term debt due in the current year + interest expenditures)**】** : Since 2029, the ratio shall not be lower than 1.05.

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

(5) The subsidiary, Re-use Environmental Co., Ltd., entered into a credit facility agreement with the credit bank for operating turnover. According to the contract, the subsidiary shall maintain a certain level of financial ratio at the end of each year (reviewed from the financial statements for the year ended December 31, 2024):

- (i) Current ratio (current assets / current liabilities): no lower than 150%.
- (ii) Debt ratio (total debt / total equity): no higher than 150%.
- (iii) Interest coverage ratio [(net profit after tax + depreciation + amortization + interest expenses)/(interest expenses)]: no lower than 10 times.
- (iv) If the aforementioned financial ratios are not achieved, the interest rate of the balance not yet repaid will be raised by 0.15%. No improving the ratios within limited period will result in a breach of contract. Liquidated damages shall be paid by the amount of 0.1% of the total balance not yet repaid at the end of the improvement period.

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

(XII) Corporate bonds payable

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

	2024.12.31	2023.12.31
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	<u><u>\$ 249,617</u></u>	<u><u>-</u></u>
Embedded derivatives – rights of repurchase and put (accounted for in financial assets (liabilities) measured at fair value through profit or loss)	<u><u>\$ 281</u></u>	<u><u>(4,590)</u></u>
Equity component – right of conversion (accounted for in capital reserves)	<u><u>\$ 18,667</u></u>	<u><u>65,678</u></u>
	2024	2023
Embedded derivatives – gains (losses) on remeasurement of right of put at fair value	<u><u>\$ 5,775</u></u>	<u><u>10,910</u></u>
Interest expense	<u><u>\$ 9,181</u></u>	<u><u>14,554</u></u>

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

Item	2nd issue of unsecured convertible corporate bonds in 2021
Total amount issued	NTD 1,000,000 thousand
Date of issue	2021.9.28

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

Item	2nd issue of unsecured convertible corporate bonds in 2021
Period of issue	2021.9.28~2026.9.28
Coupon rate	0%
Trustee	Mega Securities Co., Ltd.
Method of repayment	Except for an application by a holder of the bonds for converting them into the Company's common shares in accordance with the Company's conversion requirements, or the early redemption of the bonds by the Company in accordance with the conversion requirements, or the repurchase of the bonds by the Company from a securities issuer, the Company will repay the bonds in cash at their par value plus an interest compensation (101.26% of their par value) upon their maturity.
Requirements for 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.

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

(XIII)Income tax

1. Income tax expense

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

	<u>2024</u>	<u>2023</u>
Income tax expense for the period		
Incurred in the period	\$ 116,739	113,375
Adjustment to the current income tax of previous period	421	9,661
Land Value Increment Tax	56	-
	<u>117,216</u>	<u>123,036</u>
Deferred income tax expense		
Occurrence and reversal of temporary differences	5,756	(1,650)
Income tax expense	<u><u>\$ 122,972</u></u>	<u><u>121,386</u></u>

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

	<u>2024</u>	<u>2023</u>
Pre-tax profit	\$ 433,417	283,795
Income tax calculated at the domestic tax rate in the place where the Consolidated Company is located	\$ 165,474	129,659
Investment profit recognized using the equity method	(75,022)	(68,844)
Loss on valuation of financial assets and liabilities	(6,825)	(2,087)
Interest expense of convertible corporate bonds	1,836	2,911
Underestimation of income taxes in prior years	421	9,661
Change in unrecognized temporary differences	(9,438)	(2,703)
Current taxable loss of unrecognized deferred income tax assets	45,012	54,734
Land Value Increment Tax	56	-
Realized investment loss	-	(2,465)
Non-deductible expense	1,695	388
Others	(237)	132
Total	<u><u>\$ 122,972</u></u>	<u><u>121,386</u></u>

2. Deferred income tax assets and liabilities

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

(1) Unrecognized deferred income tax assets

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

	2024.12.31	2023.12.31
Deductible temporary differences	\$ 17,146	25,389
Temporary differences on taxable losses	88,922	64,467
	<u>\$ 106,068</u>	<u>89,856</u>

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

The following are the deadlines for deduction of the taxable losses not recognized by the Consolidated Company as deferred income tax assets as of December 31, 2024:

Years of loss	Loss not yet deducted	Final year for deduction
2017	\$ 9,366	2027
2018	14,057	2028
2019	34,996	2029
2020	47,732	2030
2021	52,110	2031
2022	52,685	2032
2023	111,268	2033
2024	<u>122,395</u>	2034
	<u>\$ 444,609</u>	

(2) Recognized deferred income tax assets and liabilities

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

	Unrealized gains on projects
Deferred income tax liabilities:	
Balance as of January 1, 2024	\$ 525,862
Income statement of debits (credits)	(4,382)
Balance as of December 31, 2024	<u>\$ 521,480</u>
Balance as of January 1, 2023	\$ 523,881
Income statement of debits (credits)	1,981
Balance as of December 31, 2023	<u>\$ 525,862</u>

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

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

	Difference in the time of financial and tax recognition	Impairment loss	Total
Deferred income tax assets:			
Balance as of January 1, 2024	\$ 98,627	3,887	102,514
Income statement of (debits) credits	(9,626)	(512)	(10,138)
Balance as of December 31, 2024	\$ 89,001	3,375	92,376
Balance as of January 1, 2023	\$ 94,483	4,400	98,883
Income statement of (debits) credits	4,144	(513)	3,631
December 31, 2023	\$ 98,627	3,887	102,514

3. Approval of income tax

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

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

(XIV) Capital and other equity

As of December 31, 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

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

29 per share, with a par value of NTD 10 per share for a total of NTD 103,450 thousand. The difference between the aforesaid par value per share and purchase price was credited to capital reserves – premium on share capital in an amount of NTD 196,555 thousand, and December 25, 2023 was set as the record date for capital increase. The relevant legal registration procedures have been completed.

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

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 relevant legal registration procedures have been completed.

2. Capital reserves

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

	2024.12.31	2023.12.31
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
	<u>\$ 4,532,939</u>	<u>4,084,257</u>

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

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

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

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

(1) Legal reserves

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

(2) Special reserves

In accordance with the requirements of the Financial Supervisory Commission, when distributing distributable earnings, the Company will allocate special reserves from the profit 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

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

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:

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

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

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

(XV) Earnings (Losses) per share

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

	<u>2024</u>	<u>2023</u>
Basic earnings per share		
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	<u>5,609</u>	<u>4,694</u>
Weighted average number of outstanding common shares (thousand shares)	<u>173,019</u>	<u>151,398</u>
Basic earnings per share (\$)	<u>\$ 0.97</u>	<u>0.26</u>
Diluted earnings per share		
Net profit attributable to owners of the common shares of the Company	\$ 167,187	39,751
Effects of conversion of convertible bonds	<u>1,570</u>	<u>733</u>
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	<u>14,959</u>	<u>25,291</u>
Weighted average number of outstanding common shares (diluted) (thousand shares)	<u>188,084</u>	<u>176,721</u>
Diluted earnings per share (\$)	<u>\$ 0.90</u>	<u>0.23</u>

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

(XVI) Revenue from customer contracts

1. Breakdown of revenue

	<u>2024</u>	<u>2023</u>
Market of main territory:		
Taiwan	<u>\$ 3,386,878</u>	<u>3,679,679</u>
Main product/service lines:		
Revenue from water treatment project contracts – service \$	97,978	99,167
concession arrangements		
Revenue from water treatment project contracts – public	980,551	1,430,240
projects		
Revenue from the operation and maintenance of water	1,185,337	1,123,804
treatment projects		
Revenue from service concessions	643,807	661,013
Revenue from waste treatment	458,065	346,191
Other operating revenues	21,140	19,264
	<u>\$ 3,386,878</u>	<u>3,679,679</u>

2. Contract balance

	<u>2024.12.31</u>	<u>2023.12.31</u>	<u>2023.1.1</u>
Notes receivable	\$ -	-	4,888
Accounts receivable	1,232,123	1,579,650	1,468,080
Less: loss allowance	(27)	-	-
Total	<u>\$ 1,232,096</u>	<u>1,579,650</u>	<u>1,472,968</u>
Contract assets – project investments not	\$ 910,711	573,311	765,964
meeting the criteria for a right to			
receive payment			
Contract assets – retention money	157,354	120,036	255,310
receivable for projects			
Less: Loss allowance	-	-	-
Total	<u>\$ 1,068,065</u>	<u>693,347</u>	<u>1,021,274</u>
Amount expected to be recovered after	<u>\$ 4,405</u>	<u>16,452</u>	<u>-</u>
more than 12 months			
Contract liabilities – payments received	\$ 245,439	125,755	110,935
exceeding project investments			
Contract liabilities – Advance receipts	751	6,221	9,942
Total	<u>\$ 246,190</u>	<u>131,976</u>	<u>120,877</u>
Amount expected to be settled after	<u>\$ -</u>	<u>-</u>	<u>-</u>
more than 12 months			

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

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

(XVII) Remuneration for employees and directors

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

(XVIII) Non-operating income and expenses

1. Interest income

The interest income of the Consolidated Company is detailed as follows:

	2024	2023
Interest on bank deposits	\$ 16,087	9,434
Other interest income	5,669	1,546
	\$ 21,756	10,980

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

2. Other income

The other income of the Consolidated Company is detailed as follows:

	2024	2023
Dividend income	\$ 282	-
Lease income	404	882
	\$ 686	882

3. Other gains and losses

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

	2024	2023
Gain (loss) on foreign currency exchange	\$ 32	(98)
Gain on financial assets and liabilities measured at fair value through profit or loss	35,847	11,913
Gain on reversal of impairment	-	8,190
Gain (loss) on disposal of intangible assets	11,942	(5)
Gain (loss) on disposal of property, plant and equipment	715	(435)
Gain on lease modification	1,236	454
Miscellaneous income (expenditures)	(1,615)	8,198
	\$ 48,157	28,217

4. Financial cost

The financial costs of the Consolidated Company are detailed as follows:

	2024	2023
Interests of bank loans	\$ 122,128	127,650
Interests of fixed royalty payables	2,960	3,282
Amortization of discount on convertible bonds	7,737	12,246
Interest compensation of convertible bonds	1,444	2,308
Amortization of discount on provisions	1,004	1,396
Interests of lease liabilities	273	509
Other interest expenditures	746	408
Financial expenditures	16,289	21,351
Less: capitalized borrowing costs	(404)	(381)
	\$ 152,177	168,769
Capitalized interest rate	3.29%	3.65%

(XIX) Financial instruments

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

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 Consolidated Company's concentration of credit risks on government agencies due to tenders for BOT and public projects accounted for 97% and 96% of total receivables, respectively.

(3) Credit risk of receivables

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

Other financial assets measured at amortized cost include other receivables (accounted for in other financial assets), 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 Consolidated Company is situated, the Consolidated Company has measured the expected credit loss and found no impairment.

The above are all financial assets with a low credit risk. Therefore, the loss allowance for the period is measured based on the amount of the 12-month expected credit loss (for information on how the Consolidated Company determines a low credit risk, see Note 4(7)). In 2024 and 2023, no loss allowance was set aside.

(4) Contract assets

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

**Notes to the Consolidated Financial statements of FOREST WATER
ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries (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>
December 31, 2024						
Non-derivative financial liabilities						
Instruments with a floating interest rate	\$ 4,497,953	4,951,157	1,551,175	412,073	1,280,249	1,707,660
Instruments with a fixed interest rate	1,095,633	1,130,816	814,904	11,100	292,327	12,485
Non-interest-bearing liabilities	1,288,416	1,288,416	1,161,147	124,475	2,794	-
Lease liabilities	6,822	6,964	3,526	3,092	346	-
	<u>\$ 6,888,824</u>	<u>7,377,353</u>	<u>3,530,752</u>	<u>550,740</u>	<u>1,575,716</u>	<u>1,720,145</u>
December 31, 2023						
Non-derivative financial liabilities						
Instruments with a floating interest rate	\$ 3,591,281	3,840,986	2,037,591	666,359	716,743	420,293
Instruments with a fixed interest rate	1,936,207	2,010,071	1,030,746	11,100	944,640	23,585
Non-interest-bearing liabilities	1,406,660	1,406,660	1,291,232	18,326	97,102	-
Lease liabilities	20,001	21,940	3,410	2,865	7,421	8,244
	<u>\$ 6,954,149</u>	<u>7,279,657</u>	<u>4,362,979</u>	<u>698,650</u>	<u>1,765,906</u>	<u>452,122</u>

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

3. Exchange rate risk: None.

4. Interest rate analysis

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

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

If the interest rate increases or decreases by 1% with all other variables remaining constant, the net profits before tax of the Consolidated Company in 2024 and 2023 would decrease or increase by \$22,002 thousand and \$16,650 thousand respectively, mainly due to its loans and deposits with floating interest rates.

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

5. Other price risks

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

<u>Securities price on the reporting date</u>	<u>2024</u>		<u>2023</u>	
	<u>Pre-tax amount of other comprehensive income</u>	<u>Pre-tax profit or loss</u>	<u>Pre-tax amount of other comprehensive income</u>	<u>Pre-tax profit or loss</u>
Up by 10%	\$ 15,035	14,200	17,279	27,630
Down by 10%	\$ (15,035)	(14,200)	(17,279)	(27,630)

6. Fair value information

(1) Types and fair values of financial instruments

The Consolidated 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 on fair value levels, except that no fair value information must be disclosed for financial instruments not measured at fair value whose carrying amount is a reasonable approximation to the fair value, and for lease liabilities) are listed as follows:

	<u>2024.12.31</u>				
	<u>Carrying amount</u>	<u>Fair value</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets measured at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 142,000	129,950	-	12,050	142,000
Embedded derivative financial assets – redemptions rights and put options	281	-	-	281	281
Subtotal	<u>\$ 142,281</u>	<u>129,950</u>	<u>-</u>	<u>12,331</u>	<u>142,281</u>
Financial assets measured at fair value through other comprehensive income					
Domestic listed and emerging stocks	\$ 36,675	-	36,675	-	36,675
Equity instruments without public quoted price measured at fair value	113,674	-	-	113,674	113,674
Subtotal	<u>\$ 150,349</u>	<u>-</u>	<u>36,675</u>	<u>113,674</u>	<u>150,349</u>
Financial liabilities measured at amortized cost					
Corporate bond payables	<u>\$ 249,617</u>	<u>-</u>	<u>248,651</u>	<u>-</u>	<u>248,651</u>

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

	2023.12.31				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	\$ 276,297	276,297	-	-	276,297
Financial assets measured at fair value through other comprehensive income					
Domestic listed and emerging stocks	\$ 63,155	-	63,155	-	63,155
Equity instruments without public quoted price measured at fair value	109,634	-	-	109,634	109,634
Subtotal	\$ 172,789	-	63,155	109,634	172,789
Financial liabilities measured at fair value through profit or loss					
Embedded derivative financial liabilities – redemption rights and put options	\$ 4,590	-	-	4,590	4,590
Financial liabilities measured at amortized cost					
Corporate bond payables	\$ 866,052	-	855,000	-	855,000

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

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

- (2.1) Financial assets and liabilities measured at amortized cost

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

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

- (3.1) Non-derivative financial instruments

Where there is an open quoted active market price for a financial instrument, the fair value will be that open quoted active market price. The market prices announced by major exchanges and by the Taipei Exchange (TPEX) for central government bonds

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

that have been determined to be popular constitute the basis for the fair values of publicly listed equity instruments and debt instruments with open quoted active market prices.

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

Where a financial instrument held by the Consolidated Company has an active market, 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 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 Consolidated 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 valuation model widely accepted by market users. Fair value of the embedded derivative financial instruments of the Consolidated Company is estimated using the market approach and a binomial tree convertible

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

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)	109,634
Recognized in profit or loss	2,550	5,775	
Recognized in other comprehensive income	-	-	4,040
Conversion of corporate bonds	-	(904)	-
Purchase	9,500	-	-
December 31, 2024	\$ 12,050	281	113,674
January 1, 2023	\$ -	(16,200)	56,470
Purchase (Note)			23,363
Recognized in profit or loss	-	10,910	-
Recognized in other comprehensive income	-	-	29,801
Conversion of corporate bonds	-	700	-
December 31, 2023	\$ -	(4,590)	109,634

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 gains or losses above are accounted for in “other gains and losses” and “unrealized valuation gains (losses) on financial assets measured at fair value through other comprehensive income.” Those related to assets still held as of December 31, 2024 and 2023 are as follows:

	2024	2023
Total gains or losses		
Recognized in profit or loss (accounted for in “other profits and losses”)	\$ 8,325	10,910
Recognized in other comprehensive income (accounted for in “unrealized valuation gains (losses) on financial assets measured at fair value through other comprehensive income”)	\$ 4,040	29,801

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

The Consolidated Company’s fair value measurements classified as Level 3 mainly

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

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 Consolidated 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:

Item	Evaluation technique	Significant unobservable input	Relationship between the significant unobservable input and fair value
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without active market	Market approach	<ul style="list-style-type: none"> Liquidity discount (16.48%~30.00% and 11.21%~30.00% as of December 31, 2024 and 2023, respectively) Volatility (32.35% and 26.52%~26.91% as of December 31, 2024 and 2023, respectively) 	<ul style="list-style-type: none"> The higher the liquidity discount, the lower the fair value. The higher the volatility, the higher the fair value.
Financial assets measured at fair value through profit or loss – investments in equity instruments without an active market	Black-Scholes model	<ul style="list-style-type: none"> Volatility (42.23% as of December 31, 2024) Liquidity discount (25.56% as of December 31, 2024) 	<ul style="list-style-type: none"> The higher the volatility, the higher the fair value. The higher the liquidity discount, the lower the fair value.
Financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Binomial tree convertible bond evaluation model	<ul style="list-style-type: none"> Volatility (44.11% and 21.22% as of December 31, 2024 and 2023, respectively) 	<ul style="list-style-type: none"> The higher the volatility, the higher the fair value.

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

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

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

	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
December 31, 2024						
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without active market	Liquidity discount	1%	-	-	1,467	(1,450)
	Volatility	1%	-	-	73	(73)
Financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Liquidity discount and volatility	1%	51	(51)	-	-
Financial assets measured at fair value through profit or loss – investments in equity instruments without an active market	Volatility	1%	100	100	-	-
December 31, 2023						
Financial assets measured at fair value through other comprehensive income – investments in equity instruments without active market	Liquidity discount	1%	-	-	863	(863)
	Volatility	1%	-	-	274	(307)
Financial assets and liabilities measured at fair value through profit or loss – embedded derivative financial instruments	Liquidity discount and volatility	1%	360	(360)	-	-

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

(XX) Financial risk management

1. Summary

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

- (1) Credit risk
- (2) Liquidity risk
- (3) Market risk

This note presents the Consolidated Company's exposure information for the risks above, and its goals, policies and procedures for the measurement and management of risks. For

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

further quantitative disclosures, see the relevant notes to the consolidated financial statements.

2. Risk management framework

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

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

3. Credit risk

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

(1) Accounts receivable and other receivables

The Consolidated Company's customers are concentrated in tenders for public projects, BOT and ROT. As of December 31, 2024 and 2023, the Consolidated Company's concentration of credit risks on government agencies due to tenders for BOT and public projects accounted for 97% and 96% of receivables, respectively. Since the counterparties are mainly government agencies, there is unlikely to be any credit risk. The Consolidated Company still regularly assesses the possibility for the recovery of accounts receivable and allocates loss allowance, and the result of its loss assessment remains within the management's expectations.

(2) Investment

The credit risks of bank deposits, fixed income investments and other financial instruments are measured and monitored by the Consolidated Company's financial department. Since all of the transaction and contractual counterparties of the Consolidated

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

Company are banks with good credit standing and financial institutions, corporations and government agencies with an investment or higher grade, there is no significant concern about their performance, and thus there is no significant credit risk.

4. Liquidity risk

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

5. Market risk

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

(1) Interest rate risk

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

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

(XXI) Capital management

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

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

The Consolidated Company 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 Consolidated Company for the year ended December 31, 2024 are 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:

	2024.12.31	2023.12.31
Total liabilities	\$ 7,845,723	7,977,380
Less: Cash and cash equivalents	<u>(2,750,908)</u>	<u>(1,790,514)</u>
Net debt	5,094,815	6,186,866
Total equity	<u>7,832,924</u>	<u>7,458,535</u>
Adjusted capital	<u>\$ 12,927,739</u>	<u>13,645,401</u>
Debt-to-capital ratio	<u>39.41%</u>	<u>45.34%</u>

(XXII) 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(12) for details.

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

VII. Related party transactions

(I) Parent company and ultimate controller

Ho Ching Enterprises Co., Ltd. is the Consolidated Company's parent company, holding 60.04% of the outstanding common shares of the Consolidated Company. Rich Development Co., Ltd. is the ultimate controller of the Consolidated Company to which the Consolidated 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 related parties conducting transactions with the Consolidated Company during the period covered by this consolidated financial statements:

Name of related party	Relationship with the Consolidated Company
Rich Development Co., Ltd. (hereinafter "Rich Development")	Ultimate parent company of the Consolidated Company
Ho Ching Enterprises Co., Ltd. (hereinafter "Ho Ching Enterprises")	Parent company of the Consolidated Company
Hon Lin Heavy Industries Co., Ltd. (hereinafter "Hon Lin Heavy Industries")	Other related party
Lealea Hotel Co., Ltd. (hereinafter "Lealea Hotel")	Other related party
Lealea Eagle Travel Service Co., Ltd. (hereinafter "Lealea Eagle Travel")	Other related party
Giantforest Solutions Co., Ltd. (hereinafter "Giantforest Solutions")	Other related party
Yilan Lealea Hotels & Resorts Co., Ltd. (hereinafter "Yilan Lealea")	Other related party
Jia Rui Development Co., Ltd. (hereinafter "Jia Rui Development")	Other related party
Guo, Shan-Lin Education Foundation ("Guo, Shan-Lin Education")	Other related party
Howslar Foods Co., Ltd. (hereinafter "Howslar Foods")	Other related party
Qing Shan Lin Limited (hereinafter "Qing Shan Lin")	Other related party
Zhantang Cultural and Creative Co., Ltd. (hereinafter "Zhantang Cultural and Creative")	Other related party
Guo, Musheng Cultural and Educational Center Funds (hereinafter "Guo, Musheng Cultural and Educational")	Other related party
Lea Ching Co., Ltd. (hereinafter "Lea Ching Co.")	Other related party
Chimei International Enterprise Co., Ltd. (hereinafter "Chimei International")	Other related party
Chi Mao International Co., Ltd. (hereinafter "Chi Mao International")	Other related party
Lealea Development Enterprise Co., Ltd. (hereinafter "Lealea Development")	Other related party
Teamphon Energy Co., Ltd. (hereinafter "Teamphon Energy")	Other related party
Buy Chow Food Co., Ltd. (hereinafter "Buy Chow Food")	Other related party
Neng Pang Construction Co., Ltd. (hereinafter "Neng Pang Construction")	Other related party

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

Name of related party	Relationship with the Consolidated Company
Pang Construction")	
Lealea Hotels & Resorts Co., Ltd. (hereinafter "Lealea Hotels & Resorts")	Other related party
Forest Water Sustainability Tech EP Eng' g Co., Ltd. (hereinafter "Forest Water Sustainability")	Other related party
Yi Lea Hotels Co., Ltd. (hereinafter "Yi Lea Hotels")	Other related party
Lineng Power Co., Ltd. (hereinafter "Lineng Power")	Other related party
Liyang Electrical Engineering Co., Ltd. (hereinafter "Liyang Electrical")	Other related party
Li Young Electrical Development Co., Ltd. (hereinafter "Li Young Electrical")	Other related party
S.T.Y. Steels Co., Ltd. (hereinafter "S.T.Y. Steels")	Other related party
Lealea Mingchih Resort Co., Ltd. (hereinafter "Lealea Mingchih")	Other related party
BHL Taipei Limited (hereinafter "BHL Taipei")	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
Libolon Enterprise Co., Ltd. (hereinafter "Libolon")	Other related party

(III) Significant transactions with related parties

1. Purchases from related parties

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

	Contract amount		Purchase (price of the current period)	
	2024.12.31	2023.12.31	2024	2023
Hope Jet Engineering	\$ 169,142	124,136	20,870	31,069
Li Young Electrical	-	20,650	-	(79)
Lealea Development	109,568	138,785	7,537	24,445
Hon Lin Heavy Industries	-	12,721	-	(561)
Neng Pan Engineering	18,103	92,210	18,103	(1,223)
Forest Water Sustainability	448,340	377,497	120,119	101,647
S.T.Y. Steels	981	935	-	935
Others	17,944	16,843	6,868	7,059
	\$ 764,078	783,777	173,497	163,292

The price of a project contracted by the Consolidated Company to a related party is the result of price consultation, comparison and negotiation, and is reimbursed on a monthly basis at

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

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

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

	2024	2023
Other related party-Forest Water Sustainability	\$ 47,817	41,152

The transaction price 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.

2. Payables to related parties

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

Account title	Type of related party	2024.12.31	2023.12.31
Notes and accounts payable	Other related party – Neng Pan Engineering	\$ 6,333	302
Notes and accounts payable	Other related party – Hope Jet Engineering	5,767	1,245
Notes and accounts payable	Other related party – Lealea Development	-	12,768
Notes and accounts payable	Other related party – Forest Water Sustainability	66,694	40,692
Notes and accounts payable	Other related party – Others	1,907	3,617
		\$ 80,701	58,624

Account title	Type of related party	2024.12.31	2023.12.31
Other payables (Note)	Parent company	\$ -	100,074
Other payables	Ultimate parent company	6,501	9,377
Other payables	Other related parties	787	1,068
		\$ 7,288	110,519

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

Note : The Consolidated Company borrowed NTD 100,000 thousand from the parent company in 2023 at an annual interest rate of 2.45%, and recognized a financial cost of \$712 thousand and \$407 thousand in 2024 and 2023, respectively.

3. Prepayments

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Other related party – Forest Water Sustainability	\$ 32,278	15,822
Other related party – Hope Jet Engineering	8,931	92
Other related party – BHL Taipei	-	6,868
	<u>\$ 41,209</u>	<u>22,782</u>

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

The Consolidated Company has rented office buildings and parking spaces from the ultimate parent company and other related parties, and has signed a lease contract for one to two years with reference to the office rent in the neighboring areas. The interest expenses recognized in 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.

5. Endorsements/Guarantees

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Ultimate parent company	<u>\$ 1,244,969</u>	<u>665,055</u>

In 2024 and 2023, the Consolidated Company paid \$6,192 thousand and \$8,931 thousand, respectively, as the expenses for endorsements/guarantees to the ultimate parent company.

6. Other

(1) In 2024 and 2023, the Consolidated Company paid \$12,086 thousand and \$11,661 thousand, respectively, as the costs for software lease configuration and maintenance to other related parties (accounted for as operating costs and operating expenses).

(2) In 2024 and 2023, the Consolidated Company paid \$10,216 thousand and \$9,761 thousand, respectively, as the expenses for entertainment and company trips to other related parties due to operational needs.

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

- (3) In 2024 and 2023, the Consolidated Company donated \$5,276 thousand and \$1,501 thousand, respectively, to other related parties.
- (4) In 2024 and 2023, the Consolidated Company issued notes for deposits paid in the amounts of \$0 and \$400,000 thousand, respectively, to the parent company due to borrowing needs.
- (5) In 2024 and 2023, the Consolidated Company received \$2,345 thousand and \$1,459 thousand, respectively, as rent for the rooftops of plants leased to other related parties.

(IV) Transactions with key management personnel

The remuneration for key management personnel includes:

	2024	2023
Short-term employee benefits	<u>\$ 27,741</u>	<u>20,959</u>

VIII. Pledged assets

The carrying amounts of the assets provided by the Consolidated 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	Bank loans and performance bonds	\$ 184,773	258,159
Other financial assets – time deposits	Bank loans and performance bonds	130,961	168,407
Property, plant and equipment	Short-term notes payable and bank loans	411,706	428,571
Net concessions	Bank loans	1,110,296	1,136,318
Long-term receivables	Bank loans	<u>3,005,390</u>	<u>3,091,234</u>
		<u>\$ 4,843,126</u>	<u>5,082,689</u>

IX. Material contingent liabilities and unrecognized contractual commitments

(I) Material unrecognized contractual commitments:

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

	2024.12.31	2023.12.31
Proceeds not received after contracting (before tax)	<u>\$ 3,282,163</u>	<u>3,724,909</u>
Proceeds not paid after contracting (before tax)	<u>\$ 2,340,570</u>	<u>2,485,927</u>

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

2. The Consolidated Company has entered into service concession arrangements in a BOT (build-operate-transfer) format with government agencies for sewage treatment services of the sanitary sewages in Nanzi, Kaohsiung and in Luodong, Yilan. The main content of the arrangements is summarized as follows:
- (1) During the service concession period, the Consolidated Company provides services for the construction, operation and maintenance of the sewage treatment facilities in accordance with the methods designated by government agencies;
 - (2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide sewage treatment services, and receiving remuneration according to the prices agreed in the construction and operation contract and the price adjustment index;
 - (3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;
 - (4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;
 - (5) The Consolidated Company is the nominal registrant of the superficies of the related land and the ownership of the sewage treatment facilities during the service concession period. Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the construction and operation contract, and shall transfer and return them without compensation;
 - (6) The Consolidated Company may apply for the right to first renewal of the contract four years before its expiration.
 - (7) In the construction and operation contract between the Consolidated Company and the Yilan County Government, Article 8.4.7 stipulates that the Yilan County Government shall deduct the difference between the amount of piped tap water used and the actual amount of water entering the sewage treatment plant in the agreed month, and the relevant information must be clarified by the tap water supplier. However, the Yilan County Government has fully deducted the actual amount of water entering the plant in the agreed month and will make payment after checking the actual amount of piped tap water used with the tap water supplier. Based on historical experience, the Consolidated Company will receive such payment within one year, and it is estimated as a deduction of revenue based on the historical ratio for deduction.

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

- (8) The Consolidated Company and the Economic Development Bureau, Kaohsiung City Government will provide sewage treatment services to the Nanzi Industrial Park as an ancillary business of the original primary sewage treatment plan, with the concession period being 2023 to 2027.
3. The Consolidated Company has entered into a service concession arrangement in a ROT (repair-operate-transfer) format with a government agency for sewage treatment services of the sanitary sewage in Guanyin Industrial Park, Taoyuan. The main content of the arrangement is summarized as follows:
- (1) During the service concession period, the Consolidated Company provides services for the addition, reconstruction, repair and operation of the sewage treatment facilities in accordance with the methods designated by the government agency. In accordance with the contract, the Consolidated Company shall pay a fixed premium, a variable premium and an equipment transfer fee during the operating period;
 - (2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide sewage treatment services. According to the investment agreement, the Consolidated Company will receive remuneration based on the rate approved by the government agency for use of the sewage treatment system;
 - (3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;
 - (4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;
 - (5) Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to the operating conditions specified in the license in accordance with the contract, and shall transfer and return them without compensation;
 - (6) The Consolidated Company may apply for the right to first renewal of the contract before the end of November 2029, and the term of any new contract shall not exceed 15 years.
4. The Consolidated Company has entered into a service concession arrangement in a ROT (repair-operate-transfer) format with a government agency for the treatment of waste from decomposition of compostable food waste and the treatment of rice straws in Taichung. The main content of the arrangement is summarized as follows:
- (1) During the service concession period, the Consolidated Company provides services for the repair, operation and maintenance of the compostable food waste treatment

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

facilities in accordance with the methods designated by the government agency. In accordance with the contract, the Consolidated Company shall pay a fixed premium and a variable premium during the operating period;

- (2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide services for the treatment of waste from composting and of rice straws, and receiving remuneration for waste treatment based on the agreed contract price and the amount treated. Fees for the treatment of rice straws are paid based on the agreed contract price and the amount treated as provided by the government agency;
- (3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;
- (4) Both the Consolidated Company and government agencies may terminate the related agreement in case of any material breach of the terms of the agreement;
- (5) Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the contract, and shall transfer and return them without compensation;
- (6) The Consolidated Company may apply for the right to first renewal of the contract before August 2039, with the term of any new contract not exceeding 20 years. The contract may be renewed only once.

The Consolidated Company submitted a letter to the owner, Environmental Protection Bureau of Taichung City Government, on September 7, 2021, agreeing to terminate the subsidiary project agreement (rice pole treatment service). Both parties have agreed to terminate the contract relationship of the ancillary facilities of the gasification system. Please refer to Note 6(7).

5. The Consolidated Company has entered into a service concession arrangement in a BTO (build-transfer-operate) format with a government agency for the treatment of reclaimed water in Nanzi, Kaohsiung. The main content of the arrangement is summarized as follows:
 - (1) During the service concession period, the Consolidated Company provides services for the construction, operation and maintenance of the sewage treatment facilities in accordance with the methods designated by government agencies;
 - (2) During the service concession period, the Consolidated Company is entitled to use the facilities and related land to provide reclaimed water treatment services, and receiving remuneration according to the prices agreed in the construction and operation contract and the price adjustment index;

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

- (3) Government agencies will control and supervise the scope of services that must be provided by the Consolidated Company to use the facilities;
- (4) The government agency agrees to lease the related land and buildings to the Consolidated Company for use in the construction and operation plan during the service concession period. Upon the end of the service concession period, the Consolidated Company shall restore the designated plants and equipment to normal operating conditions in accordance with the construction and operation contract, and shall transfer and return them without compensation;
- (5) The Consolidated Company may apply for the right to first renewal of the contract three years before its expiration.

The Consolidated Company paid performance bond by performance bond letter issued by the bank amounting to \$100,000 thousand and the pledged certificates of time deposits amounting to \$100,000 thousand (recognized under other financial assets – non-current).

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

<u>Name of subsidiary as the operator</u>	<u>Location</u>	<u>Name of grantor</u>	<u>Type of arrangement</u>	<u>Term of service concession</u>
Green Forest Development Enterprise Co., Ltd.	Kaohsiung	Kaohsiung City Government	Sanitary sewage system (BOT)	April 2006 to April 2041
Green Forest Development Enterprise Co., Ltd.	Kaohsiung	Kaohsiung City Government	Contract for wastewater (sewage) treatment in Nanzi Industrial Park	January 2023 to June 2027
Orient Forest Development Enterprise Co., Ltd.	Yilan	Yilan County Government	Sanitary sewage system (BOT)	December 2015 to December 2040
Perfection Forest Development Enterprise Co., Ltd.	Guanyin Industrial Park	Bureau of Industrial Parks, Ministry of Economic Affairs	Sanitary sewage system (ROT)	August 2016 to July 2031
Grain Forest Green Energy Co., Ltd.	Taichung	Environmental Protection Bureau, Taichung City Government	System for decomposition of compostable food waste (ROT)	August 2017 to August 2042
Grain Forest Green Energy Co., Ltd.	Taichung	Taiwan Power Company	Contract of biomass energy power generating system and purchase and sale of electricity	June 2020 to June 2040
Top Forest Water Co., Ltd.	Kaohsiung	Kaohsiung City Government	Reclaimed water treatment plant in Nanzi (BTO)	December 2023 to December 2044

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

Top Forest Water Co., Ltd.	Kaohsiung	Southern Taiwan Science Park Bureau, National Science and Technology Council	Contract for outsourced operation and management of the advanced reclaimed water treatment facilities, water distribution reservoir and water distribution network in Nanzi	16 years from the date of notification by the government agency
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7. The material outsourced operation contracts entered into by the Consolidated Company are as follows:

Owner	Project title	Contract amount	Term of performance
Yilan County Government	Operation and maintenance of the water recycling center in Yilan	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment	December 2023 to November 2026
Central Taiwan Science Park Bureau, National Science and Technology Council	Operation and maintenance of the sanitary sewage system in Taichung Industrial Park	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	January 2020 to December 2024
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 year not exceeding the limit set by the contract	November 2022 to December 2025
Water Resources Bureau, Tainan City Government	Operation and maintenance of the water recycling center and reclaimed water treatment plant in Yongkang, Tainan City	Part of it is regular revenue, and part of it is reimbursed according to the monthly amount of investment, with the amount reimbursed each year not exceeding the limit set by the contract	December 2022 to December 2037

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

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 Cimeiyou	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:

1. As of December 31, 2024 and 2023, the Consolidated Company issued notes for deposits paid in the amounts of \$1,807,377 thousand and \$1,475,728 thousand, respectively, due to contracting, loans and other operational needs.
2. As of December 31, 2024 and 2023, the Consolidated Company had banks issue performance bonds in the amounts of \$1,160,955 thousand and \$1,232,710 thousand, respectively, due to the needs for performance guarantee.
3. On January 19, 2019, the Consolidated Company signed the "Tainan City Yongkang Water Resources Recycling Center and Renewable Water Plant Construction Turnkey Project" (hereinafter referred 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

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

caused by weather and administrative factors, therefore, the Consolidated Company is now actively negotiating with the owner for the extension of the construction period which is not attributable to the Consolidated Company.

The Consolidated 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 Consolidated 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 Consolidated 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 Consolidated Company, the Consolidated Company deemed the extension of the construction period reasonable, not of no substance. Therefore, the Consolidated 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 Consolidated Company will apply for mediation.

4. As of December 31, 2023, as a result of its contract with the Taipei City Government on the "Operation and Maintenance of the Dihua Wastewater Treatment Plant – Phase 6," the Company was fined \$23,750 thousand by the owner for breach of the contract due to the failure of the equipment and water quality to meet the standards in the Water Pollution Control Act. but the criteria for imposition of part of the fines are still disputed. Based on the results of previous mediation for the same type of fine, the amount of the relevant fine was estimated to be \$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 Consolidated Financial statements of FOREST WATER
ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries (continued)**

X. Material losses from disasters: None.

XI. Material subsequent events: None.

XII. Others

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	309,439	105,588	415,027	304,098	93,998	398,096
Labor and health insurance expenses	35,335	8,759	44,094	34,718	8,075	42,793
Pension expense	16,031	4,401	20,432	15,672	4,008	19,680
Other employee benefit expenses	17,975	6,577	24,552	17,900	6,685	24,585
Depreciation expense	31,241	5,538	36,779	34,760	5,227	39,987
Amortization expense	116,596	25,477	142,073	121,964	25,477	147,441

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

XIII. Note disclosures

(I) Information of significant transactions

In accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Consolidated Company is required to further disclose the following information of significant transactions in 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 Consolidated Financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries
(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 Consolidated Financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries
(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				Highest shareholding or contribution during the 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%	-	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	1.19%	
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	1.80%	
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	1.52%	
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	0.62%	
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	1.83%	
Modern Rich Investment Limited	Asia Renewable Energy (Cayman) Ltd	-	Financial assets measured at fair value through other comprehensive income – non-current	2,820,278	37,961	2.77%	37,961	2.77%	

4. Cumulative amount of purchase or sale of the same securities equaling or exceeding NTD 300 million or 20% of the paid-in capital: None.

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

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 Consolidated Financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries
(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%	

Note : Written off during preparation of the consolidated financial statements.

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 Consolidated Financial statements of FOREST WATER ENVIRONMENTAL ENG'G CO., LTD. and Subsidiaries
(continued)

10. Business relationship and important transactions between the parent company and subsidiaries:

Unit: NTD thousand

No.	Name of transacting party	Counterparty	Relationship between the transacting parties	Transaction details			
				Title	Amount	Transaction terms	As a percentage of consolidated total revenue or total assets
0	Forest Water Environmental Engineering Co., Ltd.	Orient Forest Development Enterprise Co., Ltd.	1	Sales revenue	90,793	After the related party requests payment from the owner, the Company is notified to receive payment 10 days after issuing an invoice.	2.68%
0	Forest Water Environmental Engineering Co., Ltd.	Orient Forest Development Enterprise Co., Ltd.	1	Notes and accounts receivable	37,710	〃	0.24%
0	Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	1	Sales revenue	148,132	〃	4.37%
0	Forest Water Environmental Engineering Co., Ltd.	Green Forest Development Enterprise Co., Ltd.	1	Notes and accounts receivable	62,186	〃	0.40%

Note 1. The number is indicated as follows:

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

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

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

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

(II) Information of investee companies:

The following is the information on the Consolidated 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			Highest shareholding or contribution during 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	100.00%	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	70.00%	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	100.00%	(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	95.00%	(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	70.00%	(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	100.00%	(2,334)	(2,334)	

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

Co., Ltd.												
Forest Water Environmental Engineering Co., Ltd.	Grain Forest Green Energy Co., Ltd.	ROC	Power generation from renewable energy	318,500	318,500	31,850,000	70.00%	152,705	70.00%	(7,518)	(5,263)	
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	70.00%	(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	50.41%	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	100.00%	(75)	(75)	
Forest Water Environmental Engineering Co., Ltd.	Modern Rich Investment Limited	Samoa	Investments in production and financial businesses	273,484(Note 1) (USD5,610) (RMB20,000)	258,795(Note 1) (USD5,610) (RMB20,000)	8,568,730	100.00%	196,514	100.00%	6,712	6,712	
Modern Rich Investment Limited	Faith Honest International Investment Limited	Samoa	Investments in production and financial businesses	89,724(Note 1) (USD5) (RMB20,000)	86,694(Note 1) (USD5) (RMB20,000)	2,963,730	100.00%	121,392	100.00%	6,772	6,772	
Faith Honest International Investment Limited	Loyal Sheen International Limited	BVI	Investments in production and financial businesses	89,560(Note 1) (RMB20,000)	86,540(Note 1) (RMB20,000)	40	40.00%	121,371	40.00%	20,134	6,770	Associate

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

Note 2: Except for associates, the amounts have been written off in preparation of the consolidated financial statements.

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

2. Limit on the amount of investments in China:

Accumulated amount of investments remitted from Taiwan to China at end of the current period	Amount of investments approved by the Investment Commission, MOEA	Limit on amount of investments in China as required by the Investment Commission, MOEA
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.

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

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

(IV) Information of major shareholders:

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

Note: (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (including treasury shares) by the Company as of the last business day for the current quarter. The share capital in the financial statements may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.

(2) If a shareholder delivers the shareholdings to the trust, the above information will be disclosed by the individual trustor who opened the trust account. For shareholders who declare insider shareholdings with ownership greater than 10% in accordance with the Security and Exchange Act, the shareholdings include shares held by shareholders and those delivered to the trust over which shareholders have rights to determine the use of trust property. For information relating to insider shareholding declaration, please refer to Market Observation Post System.

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

XIV. Segment information

(I) General information

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

(II) Information on products and services:

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

(III) Information on territory

The Consolidated Company's primary operations are located in Taiwan. As of 2024 and 2023, all of its revenues from external customers are all from Taiwan.

(IV) Information of major customers

	2024	2023
Customer A	\$ 642,573	673,917
Customer B	609,549	552,208
Customer D	587,678	554,461
Customer E	391,275	497,928
	<u>\$ 2,231,075</u>	<u>2,278,514</u>