

**Desiccant Technology Corporation and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2024 and 2023 and  
Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The entities that are required to be included in the combined financial statements of Desiccant Technology Corporation as of and for the year ended December 31, 2024, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard 10, “Consolidated Financial Statements”. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Desiccant Technology Corporation and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

DESICCANT TECHNOLOGY CORPORATION

By

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CHENG, SHIH-CHIH  
Chairman

March 4, 2025

**INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Desiccant Technology Corporation

**Opinion**

We have audited the accompanying consolidated financial statements of Desiccant Technology Corporation and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

**Key Audit Matter**

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

The key audit matter of the Group's consolidated financial statements for the year ended December 31, 2024 is stated as follows:

#### Construction Revenue Recognition

The Group mainly engages in the design, engineering and installation of systems. The revenue of the Group's construction is based on the percentage of completion method and is calculated based on the degree of completion during the contract period. The estimated total project cost and contract items are evaluated and judged by the management with respect to the nature of different projects, estimated contract amounts, engineering periods, engineering work, work methods, etc. However, due to the long contract periods, the contracts are susceptible to fluctuations in raw material and labor prices and additions and deletions of projects, which make them subject to inherent risks of complexity. Due to the nature of subjective estimation, errors could exist in calculation of construction revenue based on the percentage of completion method for some projects, leading to significant impacts on inaccurate revenue presentation in each period. The estimation of total construction cost for project contracts is a significant estimation and judgment. Therefore, it is identified as key audit matter.

Refer to Notes 4(m), 5 and 24 of the consolidated financial statements for the accounting policy, accounting estimates and assumptions uncertainties, and relevant disclosures relating to construction revenue recognition.

Our main audit procedures performed in respect of the above key audit matter included the following:

1. We obtained an understanding of the design and implementation of internal controls for estimating total construction cost.
2. We selected samples and performed tests of details to verify the reasonableness of the estimated total construction cost.

#### **Other Matter**

We have also audited the parent company only financial statements of Desiccant Technology Corporation as of and for the years ended December 31, 2024 and 2023 on which we have issued an unmodified opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2024 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audits resulting in this independent auditors' report are Li-Huang Lee. and Tsung-Yuan Tsai.

Lee, Li - Huang

Tsungyuan Tsai

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 17, 2025

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

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

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

ASSETS	2024		2023	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Note 6)	\$ 1,629,928	48	\$ 1,162,953	42
Financial assets at fair value through profit or loss - current (Notes 7 and 32)	226,675	7	224,069	8
Financial assets at amortized cost - current (Notes 9 and 34)	1,841	-	1,819	-
Contract assets - current (Note 24)	443,117	13	313,010	11
Notes receivable (Notes 10 and 24)	20,061	1	12,170	1
Trade receivables (Notes 10 and 24)	289,102	9	398,574	15
Other receivables (Note 10)	15,556	-	1,724	-
Inventories (Note 11)	249,039	7	165,749	6
Prepayments (Note 17)	24,261	1	26,327	1
Other current assets (Note 17)	9	-	-	-
Total current assets	<u>2,899,589</u>	<u>86</u>	<u>2,306,395</u>	<u>84</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 8 and 32)	423	-	423	-
Contract assets - non-current (Note 24)	10,558	-	19,761	1
Property, plant and equipment (Notes 13 and 34)	382,986	12	374,163	14
Investment properties (Notes 15 and 34)	58,917	2	39,784	1
Other intangible assets (Note 16)	151	-	2,820	-
Deferred tax assets (Note 26)	11,431	-	11,586	-
Refundable deposits (Notes 17 and 33)	3,309	-	2,809	-
Other financial assets - non-current (Notes 17 and 34)	2,693	-	-	-
Total non-current assets	<u>470,468</u>	<u>14</u>	<u>451,346</u>	<u>16</u>
<b>TOTAL</b>	<u>\$ 3,370,057</u>	<u>100</u>	<u>\$ 2,757,741</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 34)	\$ 71,656	2	\$ 21,633	1
Contract liabilities - current (Note 24)	864,597	26	746,908	27
Notes payable (Note 19)	318,822	9	162,271	6
Trade payables (Note 19)	180,017	5	152,222	5
Other payables (Note 20)	115,859	3	103,120	4
Current tax liabilities (Note 26)	55,622	2	51,620	2
Provisions - current (Note 21)	21,882	1	21,877	1
Other current liabilities (Note 20)	1,958	-	1,593	-
Total current liabilities	<u>1,630,413</u>	<u>48</u>	<u>1,261,244</u>	<u>46</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Note 26)	41,909	1	28,149	1
Net defined benefit liabilities - non-current (Note 22)	13,565	1	13,809	-
Other non-current liabilities (Note 20)	147	-	144	-
Total non-current liabilities	<u>55,621</u>	<u>2</u>	<u>42,102</u>	<u>1</u>
Total liabilities	<u>1,686,034</u>	<u>50</u>	<u>1,303,346</u>	<u>47</u>
<b>EQUITY (Notes 23 and 28)</b>				
Ordinary shares	382,800	11	348,000	13
Capital surplus	335,473	10	335,473	12
Retained earnings				
Legal reserve	121,604	3	91,066	3
Special reserve	20,987	1	18,038	1
Unappropriated earnings	835,655	25	682,805	25
Total retained earnings	<u>978,246</u>	<u>29</u>	<u>791,909</u>	<u>29</u>
Other equity	(12,496)	-	(20,987)	(1)
Total equity	<u>1,684,023</u>	<u>50</u>	<u>1,454,395</u>	<u>53</u>
<b>TOTAL</b>	<u>\$ 3,370,057</u>	<u>100</u>	<u>\$ 2,757,741</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
OPERATING REVENUE (Note 24)				
Sales	\$ 37,327	2	\$ 32,439	2
Construction revenue	1,932,660	86	1,805,804	86
Repair and maintenance service	<u>277,759</u>	<u>12</u>	<u>251,785</u>	<u>12</u>
Total operating revenue	<u>2,247,746</u>	<u>100</u>	<u>2,090,028</u>	<u>100</u>
OPERATING COSTS (Notes 11 and 25)				
Cost of sales	(26,397)	(1)	(20,134)	(1)
Construction costs	(1,510,092)	(67)	(1,424,401)	(68)
Repair and maintenance costs	<u>(140,504)</u>	<u>(7)</u>	<u>(128,060)</u>	<u>(6)</u>
Total operating costs	<u>(1,676,993)</u>	<u>(75)</u>	<u>(1,572,595)</u>	<u>(75)</u>
GROSS PROFIT	<u>570,753</u>	<u>25</u>	<u>517,433</u>	<u>25</u>
OPERATING EXPENSES (Notes 25 and 33)				
Selling and marketing expenses	(10,857)	-	(7,217)	-
General and administrative expenses	(82,181)	(4)	(87,231)	(4)
Research and development expenses	(63,248)	(3)	(70,417)	(4)
Expected credit (loss) gain (Notes 10 and 24)	<u>(4,659)</u>	<u>-</u>	<u>3,826</u>	<u>-</u>
Total operating expenses	<u>(160,945)</u>	<u>(7)</u>	<u>(161,039)</u>	<u>(8)</u>
PROFIT FROM OPERATIONS	<u>409,808</u>	<u>18</u>	<u>356,394</u>	<u>17</u>
NON-OPERATING INCOME (Notes 25, 29 and 33)				
Interest income	22,323	1	14,974	1
Other income	32,628	2	1,890	-
Other gains	21,087	1	20,051	1
Finance costs	<u>-</u>	<u>-</u>	<u>(112)</u>	<u>-</u>
Total non-operating income	<u>76,038</u>	<u>4</u>	<u>36,803</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	485,846	22	393,197	19
INCOME TAX EXPENSE (Note 26)	<u>(108,533)</u>	<u>(5)</u>	<u>(88,052)</u>	<u>(5)</u>
NET PROFIT	<u>377,313</u>	<u>17</u>	<u>305,145</u>	<u>14</u>

(Continued)

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2024		2023	
	Amount	%	Amount	%
<b>OTHER COMPREHENSIVE INCOME</b>				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 22)	\$ 530	-	\$ 295	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 26)	(106)	-	(59)	-
	<u>424</u>	<u>-</u>	<u>236</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations (Note 23)	10,613	-	(3,685)	-
Income tax related to items that may be reclassified subsequently to profit or loss (Notes 23 and 26)	(2,122)	-	737	-
	<u>8,491</u>	<u>-</u>	<u>(2,948)</u>	<u>-</u>
Other comprehensive income (loss), net of income tax	<u>8,915</u>	<u>-</u>	<u>(2,712)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 386,228</u>	<u>17</u>	<u>\$ 302,433</u>	<u>14</u>
<b>EARNINGS PER SHARE (NT\$; Note 27)</b>				
From continuing and discontinued operations				
Basic	<u>\$ 9.86</u>		<u>\$ 8.86</u>	
Diluted	<u>\$ 9.80</u>		<u>\$ 8.80</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

## DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translation of the Financial Statements of Foreign Operations	Total Equity
	Share Capital		Capital Surplus	Retained Earnings				
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings		
BALANCE, JANUARY 1, 2023	30,800	\$ 308,000	\$ 58,006	\$ 66,587	\$ 19,418	\$ 492,923	\$ (18,039)	\$ 926,895
Appropriation of 2022 earnings (Note 23)								
Legal reserve	-	-	-	24,479	-	(24,479)	-	-
Special reserve	-	-	-	-	(1,380)	1,380	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(92,400)	-	(92,400)
Share-based payment arrangements (Note 28)	-	-	4,364	-	-	-	-	4,364
Issuance of ordinary shares for cash	4,000	40,000	273,103	-	-	-	-	313,103
Net profit for the year ended December 31, 2023	-	-	-	-	-	305,145	-	305,145
Other comprehensive income (loss) for the year ended December 31, 2023 (Note 23)	-	-	-	-	-	236	(2,948)	(2,712)
Total comprehensive income for the year ended December 31, 2023	-	-	-	-	-	305,381	(2,948)	302,433
BALANCE, DECEMBER 31, 2023	34,800	348,000	335,473	91,066	18,038	682,805	(20,987)	1,454,395
Appropriation of 2023 earnings (Note 23)								
Legal reserve	-	-	-	30,538	-	(30,538)	-	-
Special reserve	-	-	-	-	2,949	(2,949)	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(156,600)	-	(156,600)
Share dividends distributed by the Company	3,480	34,800	-	-	-	(34,800)	-	-
Net profit for the year ended December 31, 2024	-	-	-	-	-	377,313	-	377,313
Other comprehensive income for the year ended December 31, 2024 (Note 23)	-	-	-	-	-	424	8,491	8,915
Total comprehensive income for the year ended December 31, 2024	-	-	-	-	-	377,737	8,491	386,228
BALANCE, DECEMBER 31, 2024	38,280	\$ 382,800	\$ 335,473	\$ 121,604	\$ 20,987	\$ 835,655	\$ (12,496)	\$ 1,684,023

The accompanying notes are an integral part of the consolidated financial statements.

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 485,846	\$ 393,197
Adjustments for:		
Depreciation expense	20,003	20,750
Amortization expense	2,669	5,721
Expected credit loss recognized/(reversed) on trade receivables	4,659	(3,826)
Net gain on fair value changes of financial assets at fair value through profit or loss	(3,121)	(1,832)
Finance costs	-	112
Interest income	(22,323)	(14,974)
Dividend income	(41)	(76)
Share-based payments	-	4,364
Loss (gain) on disposal of property, plant and equipment	5	(48)
Write-down of inventories	7,462	2,667
Changes in operating assets and liabilities		
Contract assets	(121,238)	(62,756)
Notes receivable	(7,891)	(4,359)
Trade receivables	104,545	(38,422)
Other receivables	(12,508)	(273)
Inventories	(90,299)	123,571
Prepayments	2,066	41,717
Other current assets	(9)	-
Contract liabilities	117,689	13,380
Notes payable	156,551	(94,123)
Trade payables	27,795	26,291
Other payables	11,003	(3,585)
Provisions	5	589
Other current liabilities	365	393
Net defined benefit liabilities	286	7
Cash generated from operations	683,519	408,485
Interest received	20,999	14,886
Interest paid	-	(119)
Income tax paid	(92,848)	(62,856)
Net cash generated from operating activities	<u>611,670</u>	<u>360,396</u>
<b>CASH FLOWS USED IN INVESTING ACTIVITIES</b>		
Purchase of financial assets at amortized cost	(22)	(19)
Purchase of financial assets at fair value through profit or loss	-	(148,000)
Proceeds from sale of financial assets at fair value through profit or loss	515	1,015
Payments for property, plant and equipment	(44,673)	(34,189)
Proceeds from disposal of property, plant and equipment	101	48
		(Continued)

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars)

	2024	2023
Increase in refundable deposits	\$ (500)	\$ (1,034)
Payments for intangible assets	-	(171)
(Increase) decrease in other financial assets	(2,693)	10,172
Other dividends received	<u>41</u>	<u>76</u>
Net cash used in investing activities	<u>(47,231)</u>	<u>(172,102)</u>
<b>CASH FLOWS (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>		
Increase in short-term borrowings	50,023	-
Decrease in short-term borrowings	-	(15,211)
Increase in guarantee deposits received	3	-
Refund of guarantee deposits received	-	(286)
Dividends paid to owners of the Company	(156,600)	(92,400)
Proceeds from issuance of ordinary shares	<u>-</u>	<u>313,103</u>
Net cash (used in) generated from financing activities	<u>(106,574)</u>	<u>205,206</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>9,110</u>	<u>(3,164)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	466,975	390,336
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,162,953</u>	<u>772,617</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,629,928</u>	<u>\$ 1,162,953</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

# DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Desiccant Technology Corporation (the “Company”) was incorporated on September 21, 1989. The Company and its subsidiaries (collectively referred to as “Group”) engage mainly in manufacturing industrial dehumidification equipment, drying equipment, pollution control equipment, installation project’s design, contracting, and import and export of related products.

The shares of the Group were listed on the Taiwan Stock Exchange on November 21, 2023.

The consolidated financial statements of the Group are presented in the Company’s functional currency, the New Taiwan dollar (NT\$).

### 2. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 4, 2025.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and enforced by the Financial Supervisory Commission (FSC)

The initial application of the IFRS Accounting Standards endorsed and enforced by the FSC did not have a material impact on the Group’s accounting policies.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2025

<b><u>New, Amended and Revised Standards and Interpretations</u></b>	<b><u>Effective Date Announced by IASB</u></b>
Amendments to IAS 21 “Lack of Exchangeability”	January 1, 2025 (Note 1)
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets	January 1, 2026 (Note 2)

Note 1: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments to IAS 21, the Group shall not restate the comparative information and shall recognize any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or, if applicable, to the cumulative amount of translation differences in equity as well as affected assets or liabilities.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2026. It is permitted to apply these amendments for an earlier period beginning on January 1, 2025. An entity shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application. An entity may restate prior periods if, and only if, it is possible to do so without the use of hindsight.

1) Amendments to IAS 21 “Lack of Exchangeability”

The amendments stipulate that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. An entity shall estimate the spot exchange rate at a measurement date when a currency is not exchangeable into another currency to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. In this situation, the Group shall disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, its financial performance, financial position and cash flows.

2) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of classification of financial assets

The amendments mainly amend the requirements for the classification of financial assets, including:

- a) If a financial asset contains a contingent feature that could change the timing or amount of contractual cash flows and the contingent event itself does not relate directly to changes in basic lending risks and costs (e.g., whether the debtor achieves a contractually specified reduction in carbon emissions), the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding if, and only if,
  - In all possible scenarios (before and after the occurrence of a contingent event), the contractual cash flows are solely payments of principal and interest on the principal amount outstanding; and
  - In all possible scenarios, the contractual cash flows would not be significantly different from the contractual cash flows on a financial instrument with identical contractual terms, but without such a contingent feature.
- b) To clarify that a financial asset has non-recourse features if an entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by specified assets.
- c) To clarify that the characteristics of contractually linked instruments include a prioritization of payments to the holders of financial assets using multiple contractually linked instruments (tranches) established through a waterfall payment structure, resulting in concentrations of credit risk and a disproportionate allocation of cash shortfalls from the underlying pool between the tranches.

The Group is continuously assessing whether to apply the amendments earlier.

As of the date the consolidated financial statements were authorized for issue, the Group had assessed that the application of other standards and interpretations will not have a material impact on the Group’s financial position and financial performance.

- c. The IFRS Accounting Standards issued but not yet endorsed and enforced by the Financial Supervisory Commission

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note)</b>
Annual Improvements to IFRS Accounting Standards - Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial liabilities	January 1, 2026
Amendments to IFRS 9 and IFRS 7 “Contracts Referencing Nature-dependent Electricity”	January 1, 2026
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
IFRS 18 “Presentation and Disclosure in Financial Statements”	January 1, 2027
IFRS 19 “Subsidiaries without Public Accountability: Disclosures”	January 1, 2027

Note: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

1) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 will supersede IAS 1 “Presentation of Financial Statements”. The main changes comprise:

- Items of income and expenses included in the statement of profit or loss shall be classified into the operating, investing, financing, income taxes and discontinued operations categories.
- The statement of profit or loss shall present totals and subtotals for operating profit or loss, profit or loss before financing and income taxes and profit or loss.
- Provides guidance to enhance the requirements of aggregation and disaggregation: The Group shall identify the assets, liabilities, equity, income, expenses and cash flows that arise from individual transactions or other events and shall classify and aggregate them into groups based on shared characteristics, so as to result in the presentation in the primary financial statements of line items that have at least one similar characteristic. The Group shall disaggregate items with dissimilar characteristics in the primary financial statements and in the notes. The Group labels items as “other” only if it cannot find a more informative label.
- Disclosures on Management-defined Performance Measures (MPMs): When in public communications outside financial statements and communicating to users of financial statements management’s view of an aspect of the financial performance of the Group as a whole, the Group shall disclose related information about its MPMs in a single note to the financial statements, including the description of such measures, calculations, reconciliations to the subtotal or total specified by IFRS Accounting Standards and the income tax and non-controlling interests effects of related reconciliation items.

2) Amendments to IFRS 9 and IFRS 7 “Amendments to the Classification and Measurement of Financial Instruments” - the amendments to the application guidance of derecognition of financial liabilities

The amendments mainly stipulate that, when settling a financial liability in cash using an electronic payment system, the Group can choose to derecognize the financial liability before the settlement date if, and only if, the Group has initiated a payment instruction that resulted in:

- The Group having no practical ability to withdraw, stop or cancel the payment instruction;
- The Group having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and
- The settlement risk associated with the electronic payment system being insignificant.

The Group shall apply the amendments retrospectively but is not required to restate prior periods. The effect of initially applying the amendments shall be recognized as an adjustment to the opening balance at the date of initial application.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of the application of other standards and interpretations on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION**

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS Accounting Standards as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- Assets held primarily for the purpose of trading;

- Assets expected to be realized within 12 months after the reporting period; and
- Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- Liabilities held primarily for the purpose of trading;
- Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- Liabilities for which the Group does not have the substantial right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

The Group is engaged in the construction business, which has an operating cycle of over 1 year. The normal operating cycle applies when considering the classification of the Group's construction-related assets and liabilities.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

See Note 12, Tables 2 and 3 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the date when fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items denominated in a foreign currency and measured at historical cost is stated at the reporting currency as originally translated from the foreign currency.

For the purpose of presenting consolidated financial statements, the financial statements of the Company and its foreign operations (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the functional currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Inventories

Inventories consist of raw materials, finished goods and work in progress and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. The net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Except for freehold land which is not depreciated, the depreciation of property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rental and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is recognized using the straight-line method.

For a transfer of classification from property, plant and equipment to investment properties, the deemed cost of an item of property for subsequent accounting is its carrying amount at the end of owner-occupation.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Impairment of property, plant and equipment, right-of-use asset, intangible assets and assets related to contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, investment properties and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

k. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, and any dividends or interest earned on such financial assets are recognized in other income and interest income, respectively; any remeasurement gains or losses on such financial assets are recognized in other gains or losses. Fair value is determined in the manner described in Note 32.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, financial assets at amortized cost, notes receivable, trade receivables, other receivables, other financial instruments and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial asset, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial asset that is not credit impaired on purchase or origination but has subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

### iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

### b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables), investments in debt instruments that are measured at FVTOCI, as well as contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables, and contract assets. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

For internal credit risk management purposes, the Group considers the following situations as indication that a financial asset is in default (without taking into account any collateral held by the Group):

- i. Internal or external information shows that the debtor is unlikely to pay its creditors.
- ii. Financial asset is more than 180 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and the carrying amounts of such financial assets are not reduced.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity, and its carrying amounts are calculated based on weighted average by share type and calculated separately by repurchase category. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

### 3) Financial liabilities

#### a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method.

#### b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### 1. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

#### 1) Onerous contracts

Onerous contracts are those in which the Group's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions. In assessing whether a contract is onerous, the cost of fulfilling a contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that are related directly to fulfilling contracts.

#### 2) Warranties

Provisions for the expected cost of warranty obligations to assure that products comply with agreed-upon specifications are recognized on the date of sale of the relevant products at the best estimate by the management of the Company of the expenditures required to settle the Group's obligations.

### m. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

#### 1) Revenue from sale of goods

Revenue from the sale of goods comes from sales of dehumidification equipment and related supplies. Sales of dehumidification equipment and related supplies are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

## 2) Revenue from repair and maintenance services

Revenue from repair and maintenance services comes from extended warranty services and repair services.

As the Group provides extended warranty services or repair services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. When the outcome of a performance obligation cannot be reasonably measured, revenue is recognized only to the extent of costs incurred in satisfying the performance obligation for which recovery is expected.

## 3) Construction revenue

While the environmental equipment construction contract is in progress; thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. On the contrary, it is recognized as contract asset. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

## n. Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases.

Variable lease payments that do not depend on an index or a rate are recognized as income in the periods in which they are incurred.

When a lease includes both land and building elements, the Group assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The lease payments are allocated to the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the contract. If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably to the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

### o. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

### p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

Government grants related to income are recognized in other income on a systematic basis over the periods in which the Group recognizes as expenses the related costs that the grants intend to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they are received.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Share-based payment arrangements Employee share options

Employee share options granted to employees

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. The expense is recognized in full at the grant date if the grants are vested immediately. The grant date of issued ordinary shares for cash which are reserved for employees is the date on which the number of shares that the employees purchase is confirmed.

At the end of each reporting period, the Group revises its estimate of the number of employee share options that are expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - employee share options.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Income tax payable (recoverable) is based on taxable profit (loss) for the year determined according to the applicable tax laws of each tax jurisdiction.

According to the Income Tax Act in the ROC, an additional tax on unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

## 2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carryforwards and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities

## 3) Current and deferred taxes

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. MATERIAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions on the relevant information that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

When developing material accounting estimates, the Group considers the possible impact of inflation and interest rate fluctuations on the cash flow projection, growth rates, discount rates, profitabilities and other relevant material estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

## Key Sources of Estimation Uncertainty

### Construction contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date to the estimated total contract costs.

The estimated total contract costs and contractual items are assessed and determined by management, based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts. See Note 24 for the details.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Cash on hand	\$ 2,361	\$ 2,381
Checking accounts and demand deposits	578,547	292,808
Cash equivalents (investments with original maturities of 3 months or less)		
Time deposits	<u>1,049,020</u>	<u>867,764</u>
	<u>\$ 1,629,928</u>	<u>\$ 1,162,953</u>

The market rate intervals of cash in the bank were as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Bank balance	0.002%-4.500%	0.001%-5.300%

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Financial assets at fair value through profit or loss (FVTPL) - current</u>		
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic mutual funds	<u>\$ 226,675</u>	<u>\$ 224,069</u>

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Non-current</u>		
Domestic investments		
Unlisted shares		
Hsin Maut Corporation	\$ <u>423</u>	\$ <u>423</u>

These investments in equity instruments are held for medium- to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than 3 months (Note)	\$ <u>1,841</u>	\$ <u>1,819</u>

Note: The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 1.69% and 1.57% per annum as of December 31, 2024 and 2023, respectively.

Refer to Note 34 for information relating to investments in financial assets at amortized cost pledged as security.

## 10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Notes receivable</u>		
At amortized cost		
Gross carrying amount	\$ 20,061	\$ 12,170
Less: Allowance for impairment loss	<u>          -</u>	<u>          -</u>
	<u>\$ 20,061</u>	<u>\$ 12,170</u>

(Continued)

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 298,320	\$ 402,865
Less: Allowance for impairment loss	<u>(9,218)</u>	<u>(4,291)</u>
	<u>\$ 289,102</u>	<u>\$ 398,574</u>
<u>Other receivables</u>		
Interest receivables	\$ 2,522	\$ 1,198
Compensation receivable (Note 25)	12,600	-
Others	1,466	1,558
Less: Allowance for impairment loss	<u>(1,032)</u>	<u>(1,032)</u>
	<u>\$ 15,556</u>	<u>\$ 1,724</u>
		(Concluded)

a. Notes receivable

The Group measures the loss allowance for note receivable at an amount equal to lifetime ECLs. The expected credit losses on note receivable are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. On December 31, 2024 and 2023, the Group assessed that there was no need to recognize expected credit losses on notes receivable.

The Group did not pledge notes receivable as collateral on December 31, 2024 and 2023, respectively.

The aging analysis of receivables was as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Up to 90 days	\$ 14,470	\$ 7,566
91-180 days	<u>5,591</u>	<u>4,604</u>
	<u>\$ 20,061</u>	<u>\$ 12,170</u>

The above aging schedule was based on the number of days past due from the invoice date.

b. Trade receivables

The credit period of sales of goods was based on contract.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the year to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses. The ECLs on trade receivables are estimated using a provision matrix prepared by reference to the past default experience of the customer, the customer's current financial position, economic condition of the industry in which the customer operates, as well as the GDP forecasts and industry outlook. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2024

	<b>Not Past Due</b>	<b>1 to 90 Days Past Due</b>	<b>91 to 180 Days Past Due</b>	<b>Over 180 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0.00006%- 0.0001%	0.0047%- 0.3822%	0.2245%- 27.0015%	100%	
Gross carrying amount	\$ 285,996	\$ 727	\$ 2,401	\$ 9,196	\$ 298,320
Loss allowance (lifetime ECLs)	<u>(1)</u>	<u>-</u>	<u>(21)</u>	<u>(9,196)</u>	<u>(9,218)</u>
Amortized cost	<u>\$ 285,995</u>	<u>\$ 727</u>	<u>\$ 2,380</u>	<u>\$ -</u>	<u>\$ 289,102</u>

December 31, 2023

	<b>Not Past Due</b>	<b>1 to 90 Days Past Due</b>	<b>91 to 180 Days Past Due</b>	<b>Over 180 Days Past Due</b>	<b>Total</b>
Expected credit loss rate	0.0001%- 0.0003%	0.0007%- 0.1463%	0.0339%- 18.8406%	100%	
Gross carrying amount	\$ 375,298	\$ 15,505	\$ 7,819	\$ 4,243	\$ 402,865
Loss allowance (lifetime ECLs)	<u>(1)</u>	<u>(3)</u>	<u>(44)</u>	<u>(4,243)</u>	<u>(4,291)</u>
Amortized cost	<u>\$ 375,297</u>	<u>\$ 15,502</u>	<u>\$ 7,775</u>	<u>\$ -</u>	<u>\$ 398,574</u>

The movements of the loss allowance for trade receivables were as follows:

	2024			2023		
	Grouping	Individual	Total	Grouping	Individual	Total
Balance at January 1	\$ 2,123	\$ 2,168	\$ 4,291	\$ 32	\$ 6,350	\$ 6,382
Add: Net remeasurement of loss allowance	4,659	-	4,659	2,138	-	2,138
Less: Net remeasurement of loss allowance	-	-	-	-	(4,166)	(4,166)
Foreign exchange gains and losses	<u>155</u>	<u>113</u>	<u>268</u>	<u>(47)</u>	<u>(16)</u>	<u>(63)</u>
Balance at December 31	<u>\$ 6,937</u>	<u>\$ 2,281</u>	<u>\$ 9,218</u>	<u>\$ 2,123</u>	<u>\$ 2,168</u>	<u>\$ 4,291</u>

c. Other receivables

The other receivables are interest receivables, etc. The Group's policy is to only transact with reputable client. The Group continuously monitors the client's arrear records past and analyzes their financial condition to assess whether there has been a significant increase in credit risk since the last period to the reporting date and to measure expected credit losses. As of December 31, 2024 and 2023, due to the fact that there is no realistic prospect of reasonably expect recoverable amounts for some other receivables, the expected credit loss rate was assessed at 100% with loss allowance of \$1,032 thousand and \$1,032 thousand, respectively. The movements of the loss allowance for other receivables were as follows:

	For the Year Ended December 31	
	2024	2023
Balance at January 1	\$ 1,032	\$ 3,456
Less: Amounts written off	<u>-</u>	<u>(2,424)</u>
Balance at December 31	<u>\$ 1,032</u>	<u>\$ 1,032</u>

## 11. INVENTORIES

	December 31	
	2024	2023
Raw materials	\$ 154,250	\$ 95,877
Work in progress	38,437	57,830
Finished goods	<u>56,352</u>	<u>12,042</u>
	<u>\$ 249,039</u>	<u>\$ 165,749</u>

The nature of the cost of goods sold is as follows:

	For the Year Ended December 31	
	2024	2023
Cost of inventories sold	\$ 18,935	\$ 17,467
Inventory write-downs	<u>7,462</u>	<u>2,667</u>
	<u>\$ 26,397</u>	<u>\$ 20,134</u>

## 12. SUBSIDIARIES

### Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership (%)		Remark
			2024	2023	
Desiccant Technology Corporation	GST Corporation	Manufacture of industrial dehumidification equipment, drying equipment and pollution control equipment for industrial purposes	100.00	100.00	-
Desiccant Technology Corporation	XYRA Research Corp.	Investment	100.00	100.00	-
Desiccant Technology Corporation	Desiccant Technology Corp.	Investment	80.78	80.78	-
Desiccant Technology Corporation	DESICCANT TECHNOLOGY CORP.	Engineering contracting and related maintenance services	100.00	-	Note
XYRA Research Corp.	Desiccant Technology Corp.	Investment	19.22	19.22	-
XYRA Research Corp.	KELT Research Corp.	Investment	100.00	100.00	-
Desiccant Technology Corp.	Desiccant Technology (Shanghai) Corporation	Production and sale of various types of air purification equipment, air processing equipment, equipment for plastic processing, energy-saving equipment and their components	100.00	100.00	-
KELT Research Corp.	Hongmao International Trade (Shanghai) Co., Ltd.	International trade, re-export trade and transactions with enterprises in bonded area	100.00	100.00	-

Note: DESICCANT TECHNOLOGY CORP. (DTC) is located in the United States and was established in September 2024. In November 2024, the Company invested US\$600 thousand in DTC and acquired 100% of DTC's shares.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2024	\$ 158,893	\$ 268,700	\$ 37,985	\$ 9,075	\$ 2,685	\$ 8,119	\$ 485,457
Additions	35,200	-	4,631	5,885	274	419	46,409
Disposals	-	(7,161)	(1,333)	(1,054)	(552)	(1,452)	(11,552)
Effects of foreign currency exchange differences	-	2,966	216	168	94	18	3,462
Transfers to investment properties	(902)	(19,846)	-	-	-	-	(20,748)
Balance at December 31, 2024	<u>\$ 193,191</u>	<u>\$ 244,659</u>	<u>\$ 41,499</u>	<u>\$ 14,074</u>	<u>\$ 2,501</u>	<u>\$ 7,104</u>	<u>\$ 503,028</u>
<u>Accumulated depreciation</u>							
Balance at January 1, 2024	\$ 8,891	\$ 77,100	\$ 13,239	\$ 5,365	\$ 1,994	\$ 4,705	\$ 111,294
Depreciation expenses	-	10,582	4,753	1,795	351	1,866	19,347
Disposals	-	(7,161)	(1,333)	(948)	(552)	(1,452)	(11,446)
Effects of foreign currency exchange differences	-	1,623	135	150	79	18	2,005
Transfers to investment properties	-	(1,158)	-	-	-	-	(1,158)
Balance at December 31, 2024	<u>\$ 8,891</u>	<u>\$ 80,986</u>	<u>\$ 16,794</u>	<u>\$ 6,362</u>	<u>\$ 1,872</u>	<u>\$ 5,137</u>	<u>\$ 120,042</u>
Carrying amounts at December 31, 2024	<u>\$ 184,300</u>	<u>\$ 163,673</u>	<u>\$ 24,705</u>	<u>\$ 7,712</u>	<u>\$ 629</u>	<u>\$ 1,967</u>	<u>\$ 382,986</u>
<u>Cost</u>							
Balance at January 1, 2023	\$ 131,520	\$ 259,202	\$ 39,198	\$ 10,113	\$ 4,921	\$ 10,995	\$ 455,949
Additions	27,373	4,383	138	925	603	-	33,422
Disposals	-	(819)	(1,282)	(1,905)	(2,809)	(2,866)	(9,681)
Reclassification	-	6,926	-	-	-	-	6,926
Effects of foreign currency exchange differences	-	(992)	(69)	(58)	(30)	(10)	(1,159)
Balance at December 31, 2023	<u>\$ 158,893</u>	<u>\$ 268,700</u>	<u>\$ 37,985</u>	<u>\$ 9,075</u>	<u>\$ 2,685</u>	<u>\$ 8,119</u>	<u>\$ 485,457</u>

(Continued)

	Land	Buildings	Machinery Equipment	Transportation Equipment	Office Equipment	Other Equipment	Total
<i>Accumulated depreciation</i>							
Balance at January 1, 2023	\$ 8,891	\$ 64,097	\$ 9,794	\$ 6,101	\$ 4,140	\$ 4,964	\$ 97,987
Depreciation expenses	-	10,884	4,771	1,222	687	2,617	20,181
Disposals	-	(819)	(1,282)	(1,905)	(2,809)	(2,866)	(9,681)
Reclassification	-	3,485	-	-	-	-	3,485
Effects of foreign currency exchange differences	-	(547)	(44)	(53)	(24)	(10)	(678)
Balance at December 31, 2023	<u>\$ 8,891</u>	<u>\$ 77,100</u>	<u>\$ 13,239</u>	<u>\$ 5,365</u>	<u>\$ 1,994</u>	<u>\$ 4,705</u>	<u>\$ 111,294</u>
Carrying amounts at December 31, 2023	<u>\$ 150,002</u>	<u>\$ 191,600</u>	<u>\$ 24,746</u>	<u>\$ 3,710</u>	<u>\$ 691</u>	<u>\$ 3,414</u>	<u>\$ 374,163</u>

(Concluded)

The above items of property, plant and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

#### Buildings

Main buildings 20-50 years  
Others 3-10 years

Machinery equipment 3-10 years

Transportation equipment 5 years

Office equipment 3-6 years

Other equipment 2-8 years

The value of the land held by the Group (hereinafter referred to as “Party A”) in Longtan District in Taoyuan City was \$9,082 thousand as of December 31, 2024 and 2023. Under legal restrictions, Party A is not allowed to claim ownership of this land. Therefore, Party A acquired the ownership of the land through a principal (hereinafter referred to as “Party B”), and requests Party B to sign the contract of borrowing other’s name for real estate registration real estate as a guarantee. Both parties agreed on these terms:

- During the nominee (Party B) registration period and when the land is managed, used, and disposed of by Party A, and land ownership certificate will be kept by Party A. Party B shall not, without Party A’s agreement, transfer or create mortgage over the land.
- Party A can terminate the contract at any time and ask Party B to return the ownership of the land to Party A or turn over land ownership to a third party assigned by Party A. Party B shall not intentionally make any excuse to reject or request any compensation.
- During the nominee registration period, the contract shall be cancelled automatically if the related land transaction mandate is extinguished under the Civil Code. Party B or its successors shall unconditionally transfer the land registration to the person designated by Party A.
- During the nominee registration period, ownership of the land shall be transferred to Party A if there are changes in regulations or land categories. That is, Party B shall unconditionally transfer the land registration to Party A.
- The contract shall be binding on the successors or transferees of both parties.

Property, plant and equipment used by the Group and pledged as collateral for bank borrowings are set out in Note 34.

## 14. LEASE ARRANGEMENTS

### a. Material leasing activities and terms

The Group leases buildings for the use of dormitories, offices and plants with lease terms of 3 months to 1 year. The Group does not have renewal rights or bargain purchase options to acquire the buildings at the end of the lease terms.

### b. Other lease information

Refer to Note 15 for agreement for leasing investment properties under operating leases by the Group.

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Expenses relating to short-term leases	\$ 7,188	\$ 4,554
Expenses relating to low-value asset leases	\$ 91	\$ 182
Total cash outflow for leases	\$ (7,279)	\$ (4,736)

The Group's leases of certain buildings qualify as short-term leases and leases of certain office equipment qualify as low-value asset leases. The Group has elected to apply the recognition exemption and thus did not recognize right-of-use assets and lease liabilities for these leases.

## 15. INVESTMENT PROPERTIES

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2024	\$ 31,401	\$ 18,672	\$ 50,073
Transfers from property, plant and equipment	902	19,846	20,748
Effects of foreign currency exchange differences	<u>-</u>	<u>661</u>	<u>661</u>
Balance at December 31, 2024	<u>\$ 32,303</u>	<u>\$ 39,179</u>	<u>\$ 71,482</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2024	\$ -	\$ 10,289	\$ 10,289
Depreciation expenses	-	656	656
Transfers from property, plant and equipment	-	1,158	1,158
Effects of foreign currency exchange differences	<u>-</u>	<u>462</u>	<u>462</u>
Balance at December 31, 2024	<u>\$ -</u>	<u>\$ 12,565</u>	<u>\$ 12,565</u>
Carrying amount at December 31, 2024	<u>\$ 32,303</u>	<u>\$ 26,612</u>	<u>\$ 58,917</u>

(Continued)

	<b>Land</b>	<b>Buildings</b>	<b>Total</b>
<u>Cost</u>			
Balance at January 1, 2023	\$ 31,401	\$ 25,801	\$ 57,202
Reclassification	-	(6,926)	(6,926)
Effects of foreign currency exchange differences	-	(203)	(203)
Balance at December 31, 2023	<u>\$ 31,401</u>	<u>\$ 18,672</u>	<u>\$ 50,073</u>
<u>Accumulated depreciation and impairment</u>			
Balance at January 1, 2023	\$ -	\$ 13,352	\$ 13,352
Depreciation expenses	-	569	569
Reclassification	-	(3,485)	(3,485)
Effects of foreign currency exchange differences	-	(147)	(147)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 10,289</u>	<u>\$ 10,289</u>
Carrying amount at December 31, 2023	<u>\$ 31,401</u>	<u>\$ 8,383</u>	<u>\$ 39,784</u> (Concluded)

The investment properties are leased out for 1 to 8 years. The lessees do not have bargain purchase options to acquire the investment properties at the expiration of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties was as follows:

	<u>December 31</u>	
	<b>2024</b>	<b>2023</b>
Year 1	\$ 2,415	\$ 821
Year 2	2,266	753
Year 3	2,059	760
Year 4	1,512	417
Year 5	1,512	-
Year 6 onwards	<u>3,780</u>	<u>-</u>
	<u>\$ 13,544</u>	<u>\$ 2,751</u>

To reduce the residual asset risk related to buildings at the end of the relevant lease, the Group follows its general risk management strategy.

Investment properties are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings	10-50 years
-----------	-------------

As of December 31, 2024 and 2023, the determination of fair value was performed by independent qualified professional valuers, and the fair value was measured using Level 3 inputs. The valuation was arrived at by reference to a discounted cash flow analysis. The significant unobservable inputs used include discount rates. The fair value as appraised was as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Fair value	<u>\$ 173,675</u>	<u>\$ 107,147</u>

The land held by the Group (hereinafter referred to as Party A) in Pingzhen District, Taoyuan City amounted to \$12,000 thousand as of December 31, 2024 and 2023. With legal restrictions, Party A is not allowed to claim ownership. Therefore, Party A acquires ownership of the land through a principle (hereinafter referred to as Party B) and requests that Party B sign the contract of borrowing other’s names for registration real estate as a guarantee. Both parties agree:

- a. During the nominee registration period, the land is managed, used and disposed of by Party A, and land ownership certificate is kept by Party A. Party B shall not, without Party A’s agreement, transfer or create mortgage over the land.
- b. Party A can terminate the contract at any time and ask Party B to return the ownership of the land to Party A or third party assigned by Party A. Party B shall not intentionally make any excuse to reject or request any compensation.
- c. During the nominee registration period, the contract shall be cancelled automatically if the mandate extinguished under Civil Code. Party B or its successors shall unconditionally transfer the land registration to the person designated by Party A.
- d. During the nominee registration period, the ownership of the land shall be transferred to Party A if there were changes in regulations or land categories. Party B shall unconditionally transfer the land registration to Party A.
- e. The contract shall be binding on the successors or transferee of both parties.

The investment properties pledged as collateral for bank borrowings are set out in Note 34.

**16. INTANGIBLE ASSETS**

	<b>Software</b>
<u>Cost</u>	
Balance at January 1, 2024	\$ 16,264
Additions	-
Disposals	<u>(15,895)</u>
Balance at December 31, 2024	<u>\$ 369</u>

(Continued)

	<b>Software</b>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2024	\$ 13,444
Amortization expenses	2,669
Disposals	<u>(15,895)</u>
Balance at December 31, 2024	<u>\$ 218</u>
Carrying amount at December 31, 2024	<u>\$ 151</u>
<u>Cost</u>	
Balance at January 1, 2023	\$ 18,492
Additions	171
Disposals	<u>(2,399)</u>
Balance at December 31, 2023	<u>\$ 16,264</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2023	\$ 10,122
Amortization expenses	5,721
Disposals	<u>(2,399)</u>
Balance at December 31, 2023	<u>\$ 13,444</u>
Carrying amount at December 31, 2023	<u>\$ 2,820</u> (Concluded)

Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Software 3 years

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2024</u></b>	<b><u>2023</u></b>
An analysis of depreciation by function		
General and administrative expenses	\$ 2,612	\$ 5,697
Research and development expenses	<u>57</u>	<u>24</u>
	<u>\$ 2,669</u>	<u>\$ 5,721</u>

## 17. OTHER ASSETS

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Prepayments for goods	\$ 19,617	\$ 17,693
Prepaid expense	4,644	8,634
Payment on behalf of others	<u>9</u>	<u>-</u>
	<u>\$ 24,270</u>	<u>\$ 26,327</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 3,309</u>	<u>\$ 2,809</u>
<u>Other financial assets - non-current</u>		
Pledged cash in the bank (Note 34)	<u>\$ 2,693</u>	<u>\$ -</u>

## 18. BORROWINGS

### Short-term borrowings

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Secured borrowings (Note 34)</u>		
Letter of credit	\$ 67,253	\$ 7,226
<u>Unsecured borrowings</u>		
Letter of credit	<u>4,403</u>	<u>14,407</u>
	<u>\$ 71,656</u>	<u>\$ 21,633</u>

The weighted average effective interest rates for bank loans ranged from 1.184% to 1.568% and from 0.846% to 1.350% per annum at December 31, 2024 and 2023, respectively.

## 19. NOTES PAYABLE AND TRADE PAYABLES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Notes payable</u>		
Operating	<u>\$ 318,822</u>	<u>\$ 162,271</u>
<u>Trade payables</u>		
Operating	<u>\$ 180,017</u>	<u>\$ 152,222</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 20. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 22,882	\$ 33,248
Payables for compensation of employees	43,544	32,183
Payables for business tax	11,579	10,090
Payables for remuneration of directors and supervisors	5,071	4,980
Payables for processing fees	11,639	3,830
Payables for service fees	3,615	3,846
Payables for insurance	3,722	3,495
Payables for purchases of building and equipment	2,730	994
Others	<u>11,077</u>	<u>10,454</u>
	<u>\$ 115,859</u>	<u>\$ 103,120</u>
Other liabilities		
Receipts under custody	\$ 1,658	\$ 1,571
Others	<u>300</u>	<u>22</u>
	<u>\$ 1,958</u>	<u>\$ 1,593</u>
<u>Non-current</u>		
Other liabilities		
Deposits received	<u>\$ 147</u>	<u>\$ 144</u>

## 21. PROVISIONS

	<b>December 31</b>		
	<b>2024</b>	<b>2023</b>	
<u>Current</u>			
Onerous project contracts (a)	\$ 852	\$ 1,275	
Warranties (b)	<u>21,030</u>	<u>20,602</u>	
	<u>\$ 21,882</u>	<u>\$ 21,877</u>	
	<b>Onerous Project Contracts</b>	<b>Warranties</b>	<b>Total</b>
Balance at January 1, 2024	\$ 1,275	\$ 20,602	\$ 21,877
Amount used	-	(1,056)	(1,056)
Additional provisions recognized	-	7,182	7,182
Reversal of unused balance	(423)	(6,136)	(6,559)
Effect of foreign currency exchange differences	<u>-</u>	<u>438</u>	<u>438</u>
Balance at December 31, 2024	<u>\$ 852</u>	<u>\$ 21,030</u>	<u>\$ 21,882</u>
Balance at January 1, 2023	\$ 2,356	\$ 18,932	\$ 21,288
Amount used	-	(1,892)	(1,892)
Additional provisions recognized	-	8,613	8,613
Reversal of unused balance	(1,081)	(4,900)	(5,981)
Effect of foreign currency exchange differences	<u>-</u>	<u>(151)</u>	<u>(151)</u>
Balance at December 31, 2023	<u>\$ 1,275</u>	<u>\$ 20,602</u>	<u>\$ 21,877</u>

- a. The provision for onerous project contracts comes from the Group's non-cancellable project contracts, and the provision amounts are measured using the difference of the unavoidable costs of meeting the contractual obligations less the economic benefits expected to be received from the contracts.
- b. The provision for warranty claims represents the present value of management's best estimate of the future outflow of economic benefits that will be required under the Group's obligations for warranties under contracts for the project. The estimate has been made on the basis of historical warranty trends.

## 22. RETIREMENT BENEFIT PLANS

- a. Defined contribution plan

The Group adopted a pension plan under the Labor Pension Act (LPA), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

The defined benefit plans adopted by the Company in accordance with the Labor Standards Act are operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salary for 6 months before retirement. The Company contributes amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds (the "Bureau") under the Ministry of Labor; the Group has no right to influence the fund investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Present value of defined benefit obligation	\$ 27,033	\$ 25,999
Fair value of plan assets	<u>(13,468)</u>	<u>(12,190)</u>
Net defined benefit liabilities	<u>\$ 13,565</u>	<u>\$ 13,809</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Balance at January 1, 2024	\$ 25,999	\$ (12,190)	\$ 13,809
Service cost			
Current service cost	183	-	183
Net interest expense (income)	<u>292</u>	<u>(137)</u>	<u>155</u>
Recognized in profit or loss	<u>475</u>	<u>(137)</u>	<u>338</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,089)	(1,089)
Actuarial (gain) loss			
Changes in financial assumptions	(460)	-	(460)
Experience adjustments	<u>1,019</u>	<u>-</u>	<u>1,019</u>
Recognized in other comprehensive income	<u>559</u>	<u>(1,089)</u>	<u>(530)</u>
Contributions from the employer	<u>-</u>	<u>(52)</u>	<u>(52)</u>
Balance at December 31, 2024	<u>\$ 27,033</u>	<u>\$ (13,468)</u>	<u>\$ 13,565</u>
Balance at January 1, 2023	\$ 25,704	\$ (11,607)	\$ 14,097
Service cost			
Current service cost	183	-	183
Net interest expense (income)	<u>289</u>	<u>(131)</u>	<u>158</u>
Recognized in profit or loss	<u>472</u>	<u>(131)</u>	<u>341</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ (118)	\$ (118)
Actuarial gain			
Experience adjustments	<u>(177)</u>	<u>-</u>	<u>(177)</u>
Recognized in other comprehensive income	<u>(177)</u>	<u>(118)</u>	<u>(295)</u>
Contributions from the employer	<u>-</u>	<u>(334)</u>	<u>(334)</u>
Balance at December 31, 2023	<u>\$ 25,999</u>	<u>\$ (12,190)</u>	<u>\$ 13,809</u> (Concluded)

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
General and administrative expenses	<u>\$ 338</u>	<u>\$ 341</u>

Through the defined benefit plans under the Labor Standards Act, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Discount rate	1.500%	1.125%
Expected rate of salary increase	2.000%	2.000%

If possible reasonable changes in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Discount rate(s)		
0.25% increase	<u>\$ (300)</u>	<u>\$ (329)</u>
0.25% decrease	<u>\$ 305</u>	<u>\$ 336</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 299</u>	<u>\$ 328</u>
0.25% decrease	<u>\$ (295)</u>	<u>\$ (322)</u>

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation from one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Expected contributions to the plans for the next year	<u>\$ 15</u>	<u>\$ 15</u>
Average duration of the defined benefit obligation	4.5 years	5.1 years

## 23. EQUITY

### a. Share capital

#### Ordinary share

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Number of shares authorized (in thousands of shares)	<u>60,000</u>	<u>60,000</u>
Shares authorized	<u>\$ 600,000</u>	<u>\$ 600,000</u>
Number of shares issued and fully paid (in thousands of shares)	<u>38,280</u>	<u>34,800</u>
Shares issued	<u>\$ 382,800</u>	<u>\$ 348,000</u>

On June 2, 2023, the Company's board of directors resolved to issue 4,000 thousand ordinary shares for public subscription and underwriting prior to the initial listing with a par value of NT\$10, which were issued at price based on the auction and public subscription and underwriting. The chairman of the board was authorized to determine the subscription base date. And 10% of issued common shares (400 thousand in total) shall be retained by employees according to Article 267 of the Company Act. If employees subscribe for less than the allotted shares or waive their rights to subscribe, the chairman of the board is authorized to negotiate with a specific person to subscribe. On June 2, 2023, the shareholders' meeting resolved the remaining 90% of new shares (3,600 thousand in total) for public subscription and underwriting prior to the initial listing, within all the existing shareholders waiving their preemptive right authorizing the existing shareholders to subscribe for new shares in proportion to their original shareholding according to Article 267 of The Company Act. The above transaction was approved by the Taiwan Stock Exchange Corporation on September 22, 2023 and the subscription base date was November 17, 2023.

On March 13, 2024, the Company's board of directors resolved to issue 3,480 thousand ordinary shares at NT\$10 per share, which increased share capital by \$382,000 thousand. On June 14, 2024, the above transaction was approved by the Financial Supervisory Commission, and the subscription base date of July 18, 2024 was set by the board of directors.

b. Capital surplus

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note)		
Issuance of ordinary shares	\$ 321,103	\$ 321,103
From business combinations	153	153
Options exercised	12,898	12,898
Options expired	1,303	1,303
<u>May only be used to offset a deficit</u>		
Imposition of disgorgement	<u>16</u>	<u>16</u>
	<u>\$ 335,473</u>	<u>\$ 335,473</u>

Note: Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the Company's Articles of Incorporation (the "Articles"), where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of compensation of employees and remuneration of directors and supervisors after the amendment, refer to compensation of employees and remuneration of directors and supervisors in Note 25-h.

The Company's Articles also stipulate that the Company's profit, capital structure, future development and other demands should be taken into account when the Company determines the policy about dividends distribution. The distribution of dividends shall not less than 5% of distributable retained earnings in each year until the accumulated distributable retained earnings less than 20% of the Company's paid-in capital. The principle of distributing dividends adopts a balanced dividend policy that combines share dividends with cash dividends. In order to follow the balanced policy about dividend distribution, cash dividends should not be less than 10% of the total dividends distributed.

If the Company makes a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit until the legal reserve equals the Company's paid-in capital, setting aside or reversing a special reserve, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan.

The appropriations of earnings for 2023 and 2022 were as follows:

	<b>Appropriation of Earnings</b>	
	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Legal reserve	\$ 30,538	\$ 24,479
Special reserve	\$ 2,949	\$ (1,380)
Cash dividends	\$ 156,600	\$ 92,400
Share dividends	\$ 34,800	\$ -
Cash dividends per share (NT\$)	\$ 4.5	\$ 3.0
Share dividends per share (NT\$)	\$ 1.0	\$ -

The above appropriations for cash dividends were resolved by the Company's board of directors on March 13, 2024 and March 14, 2023, and the other proposed appropriations were resolved by the shareholders in their meeting on June 7, 2024 and June 2, 2023, respectively.

The appropriation of earnings for 2024, which was proposed by the Company's board of directors on March 4, 2025, was as follows:

	<b>For the Year Ended December 31, 2024</b>
Legal reserve	\$ 37,773
Special reserve	\$ (8,491)
Cash dividends	\$ 172,260
Share dividends	\$ 38,280
Cash dividends per share (NT\$)	\$ 4.5
Share dividends per share (NT\$)	\$ 1.0

The above appropriation for cash dividends has been resolved by the Company's board of directors; the other proposed appropriations will be resolved by the shareholders in their meeting to be held on May 22, 2025.

## 24. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Revenue from contracts with customers		
Revenue from the sale of goods	\$ 37,327	\$ 32,439
Construction revenue	1,932,660	1,805,804
Revenue from repair and maintenance services	<u>277,759</u>	<u>251,785</u>
	<u>\$ 2,247,746</u>	<u>\$ 2,090,028</u>

a. Contract information

1) Revenue from sale of goods

Revenue from the sale of goods comes from sales of dehumidification equipment and related supplies. Sales of dehumidification equipment and related supplies are recognized as revenue when the goods are delivered to the customer because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently. The transaction price received is recognized as a contract liability until the goods have been delivered to the customer.

2) Construction revenue

While the environmental equipment construction contract is in progress; thus, the Group recognizes revenue over time. The Group measures the progress on the basis of costs incurred relative to the total expected costs as there is a direct relationship between the costs incurred and the progress of satisfying the performance obligations. Contract assets are recognized during the construction and are reclassified to trade receivables at the point at which the customer is invoiced. If the milestone payments exceed the revenue recognized to date, then the Group recognizes contract liabilities for the difference. On the contrary, it is recognized as contract asset. Certain payments, which are retained by the customer as specified in the contract, are intended to ensure that the Group adequately completes all of its contractual obligations. Such retention receivables are recognized as contract assets until the Group satisfies its performance obligations.

When the outcome of a performance obligation cannot be reasonably measured, contract revenue is recognized only to the extent of contract costs incurred in satisfying the performance obligation for which recovery is expected.

3) Revenue from repair and maintenance services

Revenue from repair and maintenance services comes from extended warranty services and repair services.

As the Group provides extended warranty services or repair services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. When the outcome of a performance obligation cannot be reasonably measured, revenue is recognized only to the extent of costs incurred in satisfying the performance obligation for which recovery is expected.

b. Contract balances

Contract balances

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>January 1, 2023</b>
Notes and trade receivable (Note 10)	<u>\$ 309,163</u>	<u>\$ 410,744</u>	<u>\$ 365,872</u>
Contract assets - current			
Construction contract	\$ 357,228	\$ 209,429	\$ 199,368
Repair and maintenance services	52,878	55,369	35,903
			(Continued)

	<b>December 31, 2024</b>	<b>December 31, 2023</b>	<b>January 1, 2023</b>
Retentions receivable	\$ 39,762	\$ 54,629	\$ 41,085
Less: Allowance for impairment loss	<u>(6,751)</u>	<u>(6,417)</u>	<u>(8,316)</u>
	<u>\$ 443,117</u>	<u>\$ 313,010</u>	<u>\$ 268,040</u>
<b>Contract assets - non-current</b>			
Retentions receivable	<u>\$ 10,558</u>	<u>\$ 19,761</u>	<u>\$ 76</u>
<b>Contract liabilities - current</b>			
Construction contract	\$ 676,383	\$ 608,602	\$ 628,351
Repair and maintenance services	188,214	137,966	103,239
Sale of goods	<u>-</u>	<u>340</u>	<u>1,938</u>
	<u>\$ 864,597</u>	<u>\$ 746,908</u>	<u>\$ 733,528</u>
			(Concluded)

The changes in the balance of contract assets and contract liabilities primarily resulted from the timing difference between the Group's satisfaction of performance obligations and the respective customer's payment.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECLs. The contract assets will be transferred to accounts receivable when the corresponding invoice is billed to the client, and the contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables can be applied to the contract assets.

As of December 31, 2024 and 2023, the gross carrying amounts of contract assets were \$460,426 thousand and \$339,188 thousand, respectively. The Group has no realistic prospect of recovery for some contract assets; therefore, the contract assets' corresponding expected loss rates were 100%, individually. The allowances for impairment losses for such contract assets were \$6,751 thousand and \$6,417 thousand as of December 31, 2024 and 2023, respectively.

The following table details the loss allowances for contract assets based on the Group's provision matrix:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Expected credit loss rate	0.00006%- 0.0001%	0.0001%- 0.0003%
Gross carrying amount	\$ 453,675	\$ 332,771
Allowance for impairment loss (lifetime ECLs)	<u>-</u>	<u>-</u>
	<u>\$ 453,675</u>	<u>\$ 332,771</u>

The movements of the loss allowance of contract assets were as follows:

	2024			2023		
	Grouping	Individual	Total	Grouping	Individual	Total
Balance at January 1	\$ -	\$ 6,417	\$ 6,417	\$ -	\$ 8,316	\$ 8,316
Add: Net remeasurement of loss allowance (amounts recovered)	-	-	-	-	(1,798)	(1,798)
Foreign exchange gains and losses	-	334	334	-	(101)	(101)
Balance at December 31	<u>\$ -</u>	<u>\$ 6,751</u>	<u>\$ 6,751</u>	<u>\$ -</u>	<u>\$ 6,417</u>	<u>\$ 6,417</u>

Revenue in the current year that was recognized from the contract liability balance at the beginning of the year and from the performance obligations satisfied in the previous periods was summarized as follows:

	For the Year Ended December 31	
	2024	2023
From contract liabilities at the start of the year		
Sale of goods	\$ 340	\$ 1,938
Repair and maintenance services	78,207	63,348
Construction contract	<u>286,344</u>	<u>407,789</u>
	<u>\$ 364,891</u>	<u>\$ 473,075</u>

c. Disaggregation of revenue

	For the Year Ended December 31	
	2024	2023
Type of goods or services		
Volatile organic compounds pollution control system	\$ 2,111,381	\$ 1,978,258
Specialized drying chamber and energy-saving system	<u>136,365</u>	<u>111,770</u>
	<u>\$ 2,247,746</u>	<u>\$ 2,090,028</u>

## 25. NET PROFIT FROM CONTINUING OPERATIONS

a. Interest income

	For the Year Ended December 31	
	2024	2023
Bank deposits	\$ 22,293	\$ 14,946
Financial assets at FVTPL	<u>30</u>	<u>28</u>
	<u>\$ 22,323</u>	<u>\$ 14,974</u>

b. Other income

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Rental income		
Investment properties	\$ 2,864	\$ 1,683
Dividends	41	76
Compensation income*	24,000	-
Government grants (Note 29)	3,344	-
Others	<u>2,379</u>	<u>131</u>
	<u>\$ 32,628</u>	<u>\$ 1,890</u>

\* Compensation income referred to the period during the engineering construction when the owner assessed that there was no further need for related equipment. After negotiations, a supplementary agreement was signed, and a payment of \$24,000 thousand was made to terminate the contract.

c. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Fair value changes of financial assets designated as at FVTPL	\$ 3,121	\$ 1,832
Net foreign exchange gains	18,028	18,397
(Loss) gain on disposal of property, plant and equipment	(5)	48
Others	<u>(57)</u>	<u>(226)</u>
	<u>\$ 21,087</u>	<u>\$ 20,051</u>

d. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Interest on bank loans	<u>\$ -</u>	<u>\$ (112)</u>

e. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
An analysis of depreciation by function		
Operating costs	\$ 13,228	\$ 12,998
Operating expenses	<u>6,775</u>	<u>7,752</u>
	<u>\$ 20,003</u>	<u>\$ 20,750</u>
An analysis of amortization by function		
General and administrative expenses	\$ 2,612	\$ 5,697
Research and development expenses	<u>57</u>	<u>24</u>
	<u>\$ 2,669</u>	<u>\$ 5,721</u>

f. Operating expenses directly related to investment properties

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Direct operating expenses of investment properties generating rental income	\$ <u>844</u>	\$ <u>682</u>

g. Employee benefits expense

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Short-term benefits	\$ 173,685	\$ 169,577
Share-based payments (Note 28)	-	4,364
Post-employment benefits		
Defined contribution plan	7,776	7,638
Defined benefit plans (Note 22)	338	341
Other employee benefits	<u>26,319</u>	<u>24,932</u>
Total employee benefits expense	<u>\$ 208,118</u>	<u>\$ 206,852</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 118,680	\$ 108,477
Operating expenses	<u>89,438</u>	<u>98,375</u>
	<u>\$ 208,118</u>	<u>\$ 206,852</u>

h. Compensation of employees and remuneration of directors

According to the Company's Articles, the Company accrues compensation of employees and remuneration of directors and supervisors at rates of no less than 1% and no higher than 3%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2024 and 2023, which were approved by the Company's board of directors on March 4, 2025 and March 13, 2024, respectively, are as follows:

Accrual rate

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Compensation of employees	6.0%	6.0%
Remuneration of directors	1.0%	1.2%

Amount

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 30,423	\$ 24,899
Remuneration of directors	5,071	4,980

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

There is no difference between the actual amounts of compensation of employees and remuneration of directors and supervisors and the amounts recognized in the consolidated financial statements for the years ended December 31, 2023 and 2022.

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors for 2024 and 2023 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

i. Gains or losses on foreign currency exchange

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Foreign exchange gains	\$ 19,134	\$ 24,521
Foreign exchange losses	<u>(1,106)</u>	<u>(6,124)</u>
	<u>\$ 18,028</u>	<u>\$ 18,397</u>

## 26. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Current tax		
In respect of the current year	\$ 99,418	\$ 74,362
Income tax on unappropriated earnings	3,767	4,796
Adjustments for prior year	<u>(6,335)</u>	<u>(1,184)</u>
	96,850	77,974
Deferred tax		
In respect of the current year	<u>11,683</u>	<u>10,078</u>
Income tax expense recognized in profit or loss	<u>\$ 108,533</u>	<u>\$ 88,052</u>

A reconciliation of accounting profit and income tax expense is as follows:

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Profit before tax from continuing operations	<u>\$ 485,846</u>	<u>\$ 393,197</u>
Income tax expense calculated at the statutory rate	\$ 113,903	\$ 85,704
Tax-exempt income	(774)	(220)
Nondeductible expenses in determining taxable income	61	48
Unrecognized deductible temporary differences	(2,244)	(1,247)

(Continued)

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Unrecognized loss carryforwards	\$ 155	\$ 155
Income tax on unappropriated earnings	3,767	4,796
Adjustments for prior years' tax	<u>(6,335)</u>	<u>(1,184)</u>
Income tax expense recognized in profit	<u>\$ 108,533</u>	<u>\$ 88,052</u>

(Concluded)

b. Income tax recognized in other comprehensive income

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
<u>Deferred tax</u>		
In respect of the current year		
Remeasurement of defined benefit plans	\$ 106	\$ 59
Translation of foreign operations	<u>2,122</u>	<u>(737)</u>
Total income tax recognized in other comprehensive income	<u>\$ 2,228</u>	<u>\$ (678)</u>

c. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Current tax liabilities		
Income tax payable	<u>\$ 55,622</u>	<u>\$ 51,620</u>

d. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2024

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>					
Temporary differences					
Defined benefit obligation	\$ 3,571	\$ 57	\$ -	\$ -	\$ 3,628
Exchange differences on translating the financial statements of foreign operations	3,522	-	(2,122)	-	1,400
Unrealized loss on inventories	1,678	1,536	-	-	3,214
Unrealized loss on construction contract	255	(85)	-	-	170
Provisions for warranty	2,353	459	-	-	2,812
Allowance for impairment loss	<u>207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>207</u>
	<u>\$ 11,586</u>	<u>\$ 1,967</u>	<u>\$ (2,122)</u>	<u>\$ -</u>	<u>\$ 11,431</u>

(Continued)

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax liabilities</u>					
Temporary differences					
Share of profit of subsidiaries for using the equity method	\$ 27,017	\$ 10,781	\$ -	\$ -	\$ 37,798
Unrealized foreign exchange gains	324	2,470	-	-	2,794
Remeasurement of defined benefit plans	808	-	106	-	914
Others	-	399	-	4	403
	<u>\$ 28,149</u>	<u>\$ 13,650</u>	<u>\$ 106</u>	<u>\$ 4</u>	<u>\$ 41,909</u>
					(Concluded)

For the year ended December 31, 2023

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit obligation	\$ 3,570	\$ 1	\$ -	\$ 3,571
Exchange differences on translating the financial statements of foreign operations	2,785	-	737	3,522
Unrealized loss on inventories	1,145	533	-	1,678
Unrealized loss on construction contract	471	(216)	-	255
Provisions for warranty	1,993	360	-	2,353
Unrealized foreign exchange losses	216	(216)	-	-
Allowance for impairment loss	207	-	-	207
Others	68	(68)	-	-
	<u>\$ 10,455</u>	<u>\$ 394</u>	<u>\$ 737</u>	<u>\$ 11,586</u>

Deferred tax liabilities

Temporary differences				
Share of profit of subsidiaries for using the equity method	\$ 16,869	\$ 10,148	\$ -	\$ 27,017
Unrealized foreign exchange gains	-	324	-	324
Remeasurement of defined benefit plans	749	-	59	808
	<u>\$ 17,618</u>	<u>\$ 10,472</u>	<u>\$ 59</u>	<u>\$ 28,149</u>

- e. Deductible temporary differences, and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Loss carryforwards		
Expiry in 2028	\$ 4,290	\$ 4,290
Expiry in 2029	3,675	3,657
Expiry in 2030	1,298	1,298
Expiry in 2031	1,341	1,341
Expiry in 2032	930	930
Expiry in 2033	774	774
Expiry in 2034	<u>774</u>	<u>-</u>
	<u>\$ 13,082</u>	<u>\$ 12,308</u>
Deductible temporary differences	<u>\$ 40,415</u>	<u>\$ 54,488</u>

- f. Income tax assessments

The income tax returns through 2022 had been assessed by the tax authorities. The Group had no pending tax litigation as of December 31, 2024.

## 27. EARNINGS PER SHARE

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Basic earnings per share		
From continuing operations	<u>\$ 9.86</u>	<u>\$ 8.86</u>
Diluted earnings per share		
From continuing operations	<u>\$ 9.80</u>	<u>\$ 8.80</u>

The weighted average number of shares outstanding used in the earnings per share computation was adjusted retroactively for the issuance of bonus shares on July 18, 2024. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2023 were as follows:

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
	<b>2023</b>	<b>2023</b>
Basic earnings per share (NT\$)	<u>\$ 9.75</u>	<u>\$ 8.86</u>
Diluted earnings per share (NT\$)	<u>\$ 9.67</u>	<u>\$ 8.80</u>

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

### Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	2024	2023
Profit for the year attributable to owners of the Company (used in the computation of basic earnings per share)	\$ <u>377,313</u>	\$ <u>305,145</u>

The net profit of the Group used in computation of basic earnings per share for fiscal year 2024 and 2023 is the same as the net profit used in computation of diluted earnings per share for fiscal year 2024 and 2023.

### Number of Shares

	<u>For the Year Ended December 31</u>	
	2024	2023
Weighted average number of ordinary shares used in the computation of basic earnings per share	38,280	34,422
Effect of potentially dilutive ordinary shares		
Compensation of employees	<u>233</u>	<u>262</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>38,513</u>	<u>34,684</u>

The Group may settle the compensation of employees in cash or shares; therefore, the Group assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

## 28. SHARE-BASED PAYMENT ARRANGEMENTS

### New shares reserved for subscription by employees of the Company

Due to its issuance of new shares for cash in November 2023, the Company reserved 400 thousand new shares, respectively, for subscription by employees of the Company. Related information was as follows:

	<u>For the Year Ended December 31, 2023</u>	
	Number of Options (In Thousands of Units)	Weighted- average Exercise Price (\$)
Balance at January 1	-	\$ -
Options granted	400	68

(Continued)

	<b>For the Year Ended December 31, 2023</b>	
	<b>Number of Options (In Thousands of Units)</b>	<b>Weighted- average Exercise Price (\$)</b>
Options exercised	(302)	\$ 68
Options expired	<u>(98)</u>	68
Balance at December 31	<u>          -</u>	
Options exercisable, end of the year	<u>          -</u>	
Weighted-average fair value of options granted (\$)	<u>\$ 10.91</u>	

(Concluded)

Options granted in November 2023 were priced using the Black-Scholes pricing model, and the inputs to the model were as follows:

	<b>November 2023</b>
Grant-date share price	\$78.9
Exercise price	\$68
Expected volatility	15.26%
Expected life (in years)	0.011
Risk-free interest rate	0.8629%

Compensation cost recognized was \$4,364 thousand for the year ended December 31, 2023.

## 29. GOVERNMENT GRANTS

In fiscal year 2024, the subsidiary located in China obtained subsidies from local government. The Group recognized other income of \$3,344 thousand for the year ended 2024.

## 30. NON-CASH TRANSACTIONS

In addition to those disclosed in other notes, the Group entered into the following non-cash investing and financing activities which were not reflected in the consolidated statements of cash flows for the years ended December 31, 2024 and 2023:

- a. The Group acquired property, plant and equipment with outstanding payments of \$2,730 thousand and \$994 thousand as of December 31, 2024 and 2023, respectively. The outstanding payments were presented as other payables.
- b. In 2023, the Group reclassified the cost of investment properties and accumulated depreciation of investment properties of \$6,926 thousand and \$3,485 thousand, respectively, to property, plant and equipment.

### 31. CAPITAL MANAGEMENT

The Group manages its capital to ensure the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity).

Key management personnel of the Group review the capital structure on a periodic basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders and/or existing debt redeemed.

### 32. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

The Group's management believes that the carrying amount of financial assets and financial liabilities without measuring at fair value are close to the fair value.

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

December 31, 2024

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 226,675</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,675</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ 423</u>

December 31, 2023

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTPL				
Mutual funds	<u>\$ 224,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,069</u>
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 423</u>	<u>\$ 423</u>

There were no transfers between Levels 1 and 2 in the current and prior year.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2024

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2024	\$ <u>423</u>
Balance at December 31, 2024	\$ <u>423</u>

For the year ended December 31, 2023

	<b>Financial Assets at FVTOCI</b>
Balance at January 1, 2023	\$ <u>423</u>
Balance at December 31, 2023	\$ <u>423</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of domestic unlisted ordinary shares were determined using the comparable company analysis approach.

The comparable company analysis approach is a way to determine the value of a target company by reference to companies engaged in the similar industry, stock price in the active market and value multiplier implied by such prices, based on liquidity reduction.

c. Categories of financial instruments

	<u>December 31</u>	
	<b>2024</b>	<b>2023</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 226,675	\$ 224,069
Financial assets at amortized cost (1)	1,962,490	1,580,049
Financial assets at FVTOCI		
Equity instruments - non-current	423	423
<u>Financial liabilities</u>		
Amortized cost (2)	599,703	355,394

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, financial assets at amortized cost - current, notes receivable, trade receivables, other receivables, other current financial assets - non-current and refundable deposits.

2) The balances include financial liabilities at amortized cost, which comprise short-term borrowing, notes payable, trade payables, other payables (excluding payables for dividends, payables for salaries or bonuses, payables for remuneration of directors and supervisors, payables for compensation of employees, payables for business tax and payables for insurance) and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, trade payables, and borrowings. The Group's corporate treasury function provides services to the business, coordinates access to domestic financial markets, and monitors and manages the financial risks relating to the operations of the Group through internal risk reports that analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The corporate treasury function reports periodically to the Group's risk management committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other price (see (c) below).

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

a) Foreign currency risk

The Group has foreign currency denominated sales and purchases, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 36.

Sensitivity analysis

The Group is mainly exposed to U.S. dollars, RMB and JPY.

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (i.e., the functional currency) against the relevant foreign currencies. The sensitivity rate used when reporting foreign currency risk internally to key management personnel and representing management's assessment of the reasonably possible change in foreign exchange rates is 1%. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar weakening 1% against the relevant currency. For a 1% strengthening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit and the balances below would be negative.

	<u>U.S. Dollar Impact</u>		<u>RMB Impact</u>		<u>JPY Impact</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Profit or loss	\$ <u>1,156</u>	\$ <u>1,870</u>	<u>RMB 271</u>	<u>RMB 560</u>	¥ <u>(183)</u>	¥ <u>183</u>

The result was mainly attributable to the exposure on outstanding bank accounts, trade receivables, and trade payables denominated in U.S. dollars; bank accounts, trade receivables, and trade payables denominated in RMB; short-term borrowings denominated in JPY.

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the year were as follows:

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
Fair value interest rate risk		
Financial assets	\$ 1,050,861	\$ 869,583
Cash flow interest rate risk		
Financial assets	581,240	292,808
Financial liabilities	71,656	21,633

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for both derivative and non-derivative instruments at the end of the year. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the year was outstanding for the whole year. 100 basis point (1%) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2024 and 2023 would have increased/decreased by \$5,096 thousand and \$2,712 thousand, respectively, which was mainly a result of variable-rate bank accounts and variable-rate borrowings.

The Group's sensitivity to interest rates increased during the current year mainly due to the increase in variable rate bank accounts.

c) Other price risk

The Group was exposed to equity price risk through its investments in equity securities.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2024 and 2023 would have increased/decreased by \$2,271 thousand and \$2,241 thousand, respectively.

The Group's sensitivity to equity prices increased during the current year mainly due to increase in financial assets at fair value through profit or loss.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. At the end of the year, the Group's maximum exposure to credit risk, which would cause a financial loss to the Group due to the failure of the counterparty to discharge its obligation, could be equal to the total of the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The Group's policy is only transact with reputable client. The Group shall obtain sufficient collateral where necessary to mitigate the risk of financial loss arising from defaults.

The Group's concentration of credit risk of 52% and 47% of total amounts of trade receivables and contract assets as of December 31, 2024 and 2023, respectively, was attributable to the Group's three largest clients. Apart from the clients mentioned above, the Group did not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2024 and 2023, the Group had available unutilized short-term bank loan facilities set out in (b) below.

#### a) Liquidity and interest rate risk tables for non-derivative financial liabilities

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities with agreed-upon repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed-upon repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the year.

#### December 31, 2024

	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 519,858	\$ 8,122	\$ 67	\$ -
Variable interest rate liabilities	<u>-</u>	<u>71,656</u>	<u>-</u>	<u>-</u>
	<u>\$ 519,858</u>	<u>\$ 79,778</u>	<u>\$ 67</u>	<u>\$ -</u>

#### December 31, 2023

	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>				
Non-interest bearing	\$ 330,039	\$ 3,658	\$ 64	\$ -
Variable interest rate liabilities	<u>-</u>	<u>21,633</u>	<u>-</u>	<u>-</u>
	<u>\$ 330,039</u>	<u>\$ 25,291</u>	<u>\$ 64</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2024</b>	<b>2023</b>
Secured bank borrowing facilities:		
Amount used	\$ 114,515	\$ 17,348
Amount unused	<u>408,178</u>	<u>502,652</u>
	<u>\$ 522,693</u>	<u>\$ 520,000</u>
Unsecured bank borrowing facilities:		
Amount used	\$ 34,402	\$ 37,510
Amount unused	<u>70,598</u>	<u>67,490</u>
	<u>\$ 105,000</u>	<u>\$ 105,000</u>

### 33. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows:

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Li, You-Fu	Related party in substance (management personnel's first degree of kinship)
Cheng, Ruei-De	Related party in substance (chairman's first degree of kinship)
Wu, Shu-Min	Related party in substance (chairman's spouse of kinship)

b. Refundable deposits

	<u>December 31</u>	
<u>Related Party Category/Name</u>	<b>2024</b>	<b>2023</b>
Related party in substance	\$ <u>42</u>	\$ <u>42</u>

c. Other transactions with related parties

Operating expenses

		<u>December 31</u>	
<u>Line Item</u>	<u>Related Party Category/Name</u>	<b>2024</b>	<b>2023</b>
Rent	Related party in substance	\$ <u>851</u>	\$ <u>430</u>

For fiscal year of 2024 and 2023, the Group leased right-of-use of its office from its related party in substance. The rental is based on similar assets' market rental rates and payments are made monthly.

d. Remuneration of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Short-term employee benefits	\$ 21,558	\$ 23,285
Post-employment benefits	<u>237</u>	<u>237</u>
	<u>\$ 21,795</u>	<u>\$ 23,522</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

### 34. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings and letter of guarantee:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Land	\$ 95,117	\$ 95,883
Buildings, net	123,878	142,026
Demand deposits (classified as other non-current financial assets)	2,693	-
Pledged deposits (classified as financial assets at amortized cost - current)	1,841	1,819
Investment properties - land	766	-
Investment properties - buildings	<u>14,247</u>	<u>-</u>
	<u>\$ 238,542</u>	<u>\$ 239,728</u>

### 35. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2024 and 2023 were as follows:

Significant unrecognized commitments

- a. As of December 31, 2024 and 2023, the Group had issued \$41,323 thousand and \$23,406 thousand of guaranteed notes, respectively, to support construction arrangements.
- b. As of December 31, 2024 and 2023, the Group had issued \$17,452 thousand and \$22,720 thousand of performance security deposits, respectively, to support construction arrangements.
- c. As of December 31, 2024 and 2023, unused letters of credit for purchases of raw materials amounted to approximately JPY269,171 thousand and JPY48,366 thousand, respectively.
- d. As of December 31, 2024 and 2023, unrecognized commitments were as follows:

	<b>December 31</b>	
	<b>2024</b>	<b>2023</b>
Construction outsourcing	<u>\$ 462,081</u>	<u>\$ 499,487</u>

### 36. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies of the entities in the Group and the related exchange rates between the foreign currencies and the respective functional currencies were as follows:

December 31, 2024

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 3,525	32.785 (USD:NTD)	\$ 115,567
RMB	5,947	4.561 (RMB:NTD)	27,123
JPY	354,963	0.2099 (JPY:NTD)	74,507
<u>Financial liabilities</u>			
Monetary items			
JPY	442,037	0.2099 (JPY:NTD)	92,784

December 31, 2023

	<b>Foreign Currency</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,461	30.705 (USD:NTD)	\$ 198,442
RMB	13,405	4.335 (RMB:NTD)	58,111
JPY	183,866	0.2172 (JPY:NTD)	39,936
<u>Financial liabilities</u>			
Monetary items			
USD	374	30.705 (USD:NTD)	11,481
RMB	485	4.335 (RMB:NTD)	2,104
JPY	99,678	0.2172 (JPY:NTD)	21,650

For the years ended December 31, 2024 and 2023, realized and unrealized net foreign exchange gains (losses) were \$18,028 thousand and \$18,397 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the entities in the Group.

### 37. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

1) Financing provided to others (None)

2) Endorsements/guarantees provided (None)

- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures) (Table 1)
  - 4) Marketable securities acquired or disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital (None)
  - 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital (None)
  - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
  - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (None)
  - 9) Trading in derivative instruments (None)
  - 10) Intercompany relationships and significant intercompany transactions (None)
- b. Information on investees (Table 2)
- c. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the year, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 3)
  - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses (None):
    - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the year
    - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the year
    - c) The amount of property transactions and the amount of the resultant gains or losses (None)
    - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the year and the purposes
    - e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to the financing of funds
    - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services

- d. Information of major shareholders: List all shareholders with ownership of 5% or greater showing the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder (Table 4)

### 38. SEGMENT INFORMATION

#### Financial information of operation department

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on the types of construction projects or services provided.

The construction engineering segment includes a number of prevention and pollution control equipment manufacturing and its repair operations in various cities, each of which is considered a separate operating segment by the chief operating decision maker (CODM). For the purposes of financial statement presentation, these individual operating segments have been aggregated into a single operating segment, taking into account the following factors:

- The nature of the construction processes is similar.
- The price strategy and sale model of the construction projects are similar.

a. Major revenue

The following is an analysis of the Group's major revenue from continuing operations.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2024</b>	<b>2023</b>
Volatile organic compounds pollution control system	\$ 2,111,381	\$ 1,978,258
Specialized drying chamber and energy-saving system	<u>136,365</u>	<u>111,770</u>
	<u>\$ 2,247,746</u>	<u>\$ 2,090,028</u>

b. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers and information on its non-current assets by location of operations are detailed below.

	<b>Revenue from External</b>		<b>Non-current Assets</b>	
	<b>Customers</b>		<b>December 31</b>	
	<b><u>For the Year Ended December 31</u></b>		<b><u>December 31</u></b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Taiwan	\$ 1,976,200	\$ 1,779,225	\$ 411,011	\$ 384,425
China	<u>271,546</u>	<u>310,803</u>	<u>44,294</u>	<u>52,103</u>
	<u>\$ 2,247,746</u>	<u>\$ 2,090,028</u>	<u>\$ 455,305</u>	<u>\$ 436,528</u>

Non-current assets exclude financial assets at fair value through other comprehensive income, deferred tax assets, and refundable deposits.

c. Information on major customers

One customer contributed 10% or more to the Group's revenue, as follows:

	<b>For the Year Ended December 31</b>	
	<b>2024</b>	<b>2023</b>
Customer A	<u>\$ 1,148,876</u>	<u>\$ 639,668</u>

DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2024

(In Thousands of New Taiwan Dollar, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities (Note 1)	Relationship with the Holding Company	Financial Statement Account	December 31, 2024				Note (Note 2)
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Desiccant Technology Corporation	<u>Domestic mutual funds</u> FSITC Taiwan Money Market	-	Financial assets at fair value through profit or loss - current	3,113,720	\$ 49,716	-	\$ 49,716	-
	FSITC Money Market	-	Financial assets at fair value through profit or loss - current	56,018	10,404	-	10,404	-
	TCB Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	11,652,564	123,010	-	123,010	-
	Capital Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,206,113	20,287	-	20,287	-
	Yuanta De-Li Money Market Fund	-	Financial assets at fair value through profit or loss - current	1,193,261	<u>20,290</u>	-	<u>20,290</u>	-
					<u>\$ 223,707</u>		<u>\$ 223,707</u>	
GST Corporation	<u>Domestic mutual funds</u> TCB Taiwan Money Market Fund	-	Financial assets at fair value through profit or loss - current	199,585	\$ 2,107	-	\$ 2,107	-
	Eastspring Investments Well Pool Money Market Fund	-	Financial assets at fair value through profit or loss - current	60,859	<u>861</u>	-	<u>861</u>	-
					<u>\$ 2,968</u>		<u>\$ 2,968</u>	
Desiccant Technology Corporation	<u>Unlisted shares</u> Hsin Maut Corporation	-	Financial assets at fair value through other comprehensive income - non-current	40,000	<u>\$ 423</u>	8	<u>\$ 423</u>	-

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and related derivative securities as promulgated in IFRS 9 "Financial Instruments".

Note 2: For information on investments in subsidiaries, associates, and joint ventures, refer to Tables 2 and 3.

**DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2024			Net Income (Loss) of the Investee	Share of Profit (Loss) (Note 2)	Note
				December 31, 2024	December 31, 2023	Number of Shares	%	Carrying Amount			
Desiccant Technology Corporation ("Parent Company")	GST Corporation	Zhongli District, Taoyuan City	Manufacture of industrial dehumidification equipment, drying equipment and pollution control equipment for industrial purposes	\$ 6,000	\$ 6,000	400,000	100.00	\$ 4,568	\$ (731)	\$ (731)	Subsidiary (Note 1)
	XYRA Research Corp.	BVI	Investment	22,870 (US\$ 676)	22,870 (US\$ 676)	676,000	100.00	62,544	10,618	10,618	Subsidiary (Note 1)
	Desiccant Technology Corp.	Samoa	Investment	60,136 (US\$ 2,000)	60,136 (US\$ 2,000)	2,000,000	80.78	204,292	54,429	43,968	Subsidiary (Note 1)
	DESICCANT TECHNOLOGY CORP.	USA	Engineering contracting and related maintenance services	19,380 (US\$ 600)	-	60	100.00	18,977	(681)	(681)	Subsidiary (Notes 1 and 3)
XYRA Research Corp.	KELT Research Corp.	BVI	Investment	6,766 (US\$ 200)	6,766 (US\$ 200)	200,000	100.00	13,915	157	157	Sub-subsidiary (Note 1)
	Desiccant Technology Corp.	Samoa	Investment	16,104 (US\$ 476)	16,104 (US\$ 476)	476,000	19.22	48,607	54,429	10,461	Subsidiary (Note 1)

Note 1: The profit and loss of investees and investment income or loss are recognized based on the financial statements of the investees for the same period and reviewed by the Parent Company's CPA.

Note 2: For information on investments in mainland China, please refer to Table 3.

Note 3: DESICCANT TECHNOLOGY CORP. (DTC) is located in the United States and was established in September 2024. In November 2024, the Company invested US\$600 thousand in DTC and acquired 100% of DTC's shares.

Note 4: The intercompany transactions were excluded from the consolidated financial statements.

## DESICCANT TECHNOLOGY CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2024  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2023	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2024	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2 b. 2))	Carrying Amount as of December 31, 2024	Accumulated Repatriation of Investment Income as of December 31, 2024
					Outward	Inward						
Desiccant Technology (Shanghai) Corporation	Production and sale of various types of air purification equipment, air processing equipment, equipment for plastic processing, energy-saving equipment, and their components	\$ 74,444 (US\$ 2,476)	(2) (Note 3)	\$ 74,444 (US\$ 2,476)	\$ -	\$ -	\$ 74,444 (US\$ 2,476)	\$ 61,285	100.00	\$ 61,285	\$ 157,938	\$ 42,060 (RMB 10,000)
Hongmao International Trade (Shanghai) Co., Ltd	International trade, re-export trade, and transactions with enterprises in bonded area	6,766 (US\$ 200)	(2) (Note 4)	6,766 (US\$ 200)	-	-	6,766 (US\$ 200)	157	100.00	157	13,907	-

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 2024	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA
\$ 81,210 (US\$ 2,676)	\$ 81,210 (US\$ 2,676)	\$ 1,010,414

Note 1: Methods of investment are classified as below:

- Direct investment in mainland China.
- Investments through a holding company registered in a third region.
- Other.

Note 2: The amounts of investment gain (loss):

- Direct investment.
- The basis for recognition of investment income (loss) is based on the following:
  - Based on financial statements audited by a ROC CPA firm cooperating with an international CPA firm.
  - Based on financial statements audited by the auditor of the parent company.
  - Other.

Note 3: Invested by Desiccant Technology Corporation through Desiccant Technology Corp.

Note 4: Indirect investment in mainland China is invested by KELT Research Corp. which is invested by a third region registered company, XYRA Research Corp. which is invested by Desiccant Technology Corporation.

Note 5: The intercompany transactions were eliminated in consolidated financial statements.

**TABLE 4****DESICCANT TECHNOLOGY CORPORATION****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2024**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership
Everest Investment Co., Ltd.	4,521,286	11.81
SHEN-HUA Investment Co., Ltd.	2,259,880	5.90
Chen, Hsin-Huan	2,051,150	5.35
Jian, Han-Jhang	2,013,214	5.25
Cheng, Shih-Chih	1,998,422	5.22