

# **Shin Hai Gas Corp. and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2023 and 2022 and  
Independent Auditors' Report**

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

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2023 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we did not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

SHIN HAI GAS CORP.

By

---

HSIEH, JUNG-FU  
Chairman

March 14, 2024

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Shin Hai Gas Corp.

### Opinion

We have audited the financial statements of Shin Hai Gas Corp. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, 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, 2023 and 2022, 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, Accounting Regulations for Natural Gas Enterprise, 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 (FSC) 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 matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were 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 these matters.

The key audit matters of the financial statements for the year ended December 31, 2023 are as follows:

Key Audit Matter: Gas Revenue Estimates

The Group's revenue from sales of gas in 2023 included \$161,979 thousand, which was estimated unbilled revenue from the gas used by customers, accounting for approximately 10% of gas revenue. Refer to Notes 5, 10 and 22 to the financial statements for accounting policy and details.

The management estimated the unbilled gas revenue on the balance sheet date based on the basic fee and volume-based fee for unbilled gas consumption of customers from the last billing date to the balance sheet date. As the estimation methods and assumptions involve significant management judgment, we considered the estimated revenue as one of the key audit matters in the consolidated financial statements for the year.

In connection with the above key audit matter, we conducted the following principal audit procedures:

1. We obtained an understanding of management's practices and the implementation of internal controls related to gas revenue, such as meter reading, charging and billing.
2. We understood the information and estimation methods used by management to estimate unbilled gas revenue, which involve basic fees and volume-based fees for unbilled gas consumption of customers from the last billing date to the end of the year.
3. We selected samples and tested the correctness of the information used in the estimations.
4. We evaluated the reasonableness of the estimation methods and the assumptions, including obtaining relevant data such as the volume and the amount of gas purchased, reading, and billing used in the estimations and comparing them with verified results.

**Other Matter**

We have also audited the parent company only financial statements of Shin Hai Gas Corp. as of and for the years ended December 31, 2023 and 2022, 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, Accounting Regulations for Natural Gas Enterprise, IFRS, IAS, IFRIC and SIC endorsed and issued into effect by the FSC 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 statements 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, 2023 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 Yu-Shiou Su and Chien-Ming Tseng.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 14, 2024

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.*

# SHIN HAI GAS CORP. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

ASSETS	2023		2022	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4, 6 and 28)	\$ 617,646	8	\$ 514,923	7
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	81,629	1	94,411	1
Financial assets at fair value through other comprehensive income - current (Notes 4, 8 and 28)	847,458	10	587,523	8
Financial assets at amortized cost - current (Notes 4, 9 and 28)	1,340,000	16	1,250,000	16
Notes receivable (Notes 4, 10 and 28)	40	-	40	-
Trade receivables (Notes 4, 10 and 28)	246,725	3	249,237	3
Inventories (Notes 4, 11 and 29)	232,824	3	201,441	3
Prepayments (Note 29)	80,465	1	72,568	1
Other financial assets - current (Notes 4 and 17)	1,183	-	1,178	-
Other current assets - other	595	-	2,047	-
Total current assets	<u>3,448,565</u>	<u>42</u>	<u>2,973,368</u>	<u>39</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4, 8 and 28)	769,328	9	743,486	10
Investments accounted for using the equity method (Notes 4 and 13)	81,044	1	85,097	1
Property, plant and equipment (Notes 4, 14 and 29)	3,501,622	42	3,411,159	45
Right-of-use assets (Notes 4 and 15)	4,702	-	1,726	-
Intangible assets (Notes 4 and 16)	-	-	69	-
Deferred income tax assets (Notes 4 and 25)	29,775	-	31,768	-
Refundable deposits	1,476	-	1,367	-
Other financial assets - non-current (Notes 4, 17 and 30)	462,611	6	391,365	5
Other non-current assets - other	1,950	-	1,950	-
Total non-current assets	<u>4,852,508</u>	<u>58</u>	<u>4,667,987</u>	<u>61</u>
<b>TOTAL</b>	<u>\$ 8,301,073</u>	<u>100</u>	<u>\$ 7,641,355</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Contract liabilities (Note 22)	\$ 1,770,941	21	\$ 1,512,439	20
Notes payable (Note 28)	5,266	-	6,044	-
Trade payables (Note 28)	162,836	2	166,849	2
Trade payable to related parties (Notes 28 and 29)	1,396	-	1,376	-
Other payables (Notes 18, 28 and 29)	225,704	3	219,893	3
Current tax liabilities (Notes 4 and 25)	50,780	1	52,586	1
Lease liabilities - current (Notes 4 and 15)	1,326	-	1,002	-
Other current liabilities - other	2,937	-	2,316	-
Total current liabilities	<u>2,221,186</u>	<u>27</u>	<u>1,962,505</u>	<u>26</u>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities - non-current (Notes 4 and 15)	3,411	-	743	-
Long-term deferred revenue (Note 19)	2,055,315	25	2,022,770	27
Defined benefit liabilities - non-current (Notes 4 and 20)	12,810	-	20,512	-
Deposits received	105,945	1	103,348	1
Total non-current liabilities	<u>2,177,481</u>	<u>26</u>	<u>2,147,373</u>	<u>28</u>
Total liabilities	<u>4,398,667</u>	<u>53</u>	<u>4,109,878</u>	<u>54</u>
<b>EQUITY (Note 21)</b>				
Share capital				
Ordinary shares	1,795,041	22	1,795,041	23
Retained earnings				
Legal reserve	721,556	9	675,322	9
Unappropriated retained earnings	763,090	9	681,606	9
Total retained earnings	1,484,646	18	1,356,928	18
Other equity	622,719	7	379,508	5
Total equity	<u>3,902,406</u>	<u>47</u>	<u>3,531,477</u>	<u>46</u>
<b>TOTAL</b>	<u>\$ 8,301,073</u>	<u>100</u>	<u>\$ 7,641,355</u>	<u>100</u>

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

## SHIN HAI GAS CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

	2023		2022	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4, 5, 22 and 29)	\$ 2,289,495	100	\$ 2,236,558	100
OPERATING COSTS (Notes 11, 23, 24 and 29)	<u>(1,638,119)</u>	<u>(72)</u>	<u>(1,603,850)</u>	<u>(72)</u>
GROSS PROFIT	<u>651,376</u>	<u>28</u>	<u>632,708</u>	<u>28</u>
OPERATING EXPENSES (Notes 4, 10, 24 and 29)				
Operating expenses	(168,785)	(7)	(158,645)	(7)
Reversal gain (expected credit loss)	<u>34</u>	<u>-</u>	<u>336</u>	<u>-</u>
Total operating expenses	<u>(168,751)</u>	<u>(7)</u>	<u>(158,309)</u>	<u>(7)</u>
OTHER OPERATING INCOME AND EXPENSES (Note 24)	<u>(788)</u>	<u>-</u>	<u>2,439</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>481,837</u>	<u>21</u>	<u>476,838</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES (Notes 4 and 13)				
Share of profit or loss of associates and joint ventures	2,275	-	3,694	-
Interest income	28,692	1	12,686	1
Dividend income	58,637	3	75,713	4
Other income - other	4,487	-	4,912	-
Financial cost - interest expense	(294)	-	(160)	-
Loss on financial assets at fair value through profit or loss	(2,582)	-	(18,540)	(1)
Miscellaneous expense	<u>(855)</u>	<u>-</u>	<u>(1,604)</u>	<u>-</u>
Total non-operating income and expenses	<u>90,360</u>	<u>4</u>	<u>76,701</u>	<u>4</u>
PROFIT BEFORE INCOME TAX	572,197	25	553,539	25
INCOME TAX EXPENSE (Notes 4 and 25)	<u>(104,456)</u>	<u>(5)</u>	<u>(101,191)</u>	<u>(5)</u>
NET PROFIT FOR THE YEAR	<u>467,741</u>	<u>20</u>	<u>452,348</u>	<u>20</u>

(Continued)



# SHIN HAI GAS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2023		2022	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 4, 20, 21 and 25)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (2,386)	-	\$ 11,547	-
Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income	270,433	12	(162,105)	(7)
Share of the other comprehensive income (loss) of subsidiaries and associates accounted for using the equity method	(6,328)	-	(6,709)	-
Income tax related to items that will not be reclassified subsequently to profit or loss	<u>477</u>	<u>-</u>	<u>(2,309)</u>	<u>-</u>
Total other comprehensive income (loss) for the year, net of income tax	<u>262,196</u>	<u>12</u>	<u>(159,576)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 729,937</u>	<u>32</u>	<u>\$ 292,772</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 467,741	20	\$ 452,348	20
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 467,741</u>	<u>20</u>	<u>\$ 452,348</u>	<u>20</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owner(s) of the Company	\$ 729,937	32	\$ 292,772	13
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 729,937</u>	<u>32</u>	<u>\$ 292,772</u>	<u>13</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 2.61</u>		<u>\$ 2.52</u>	
Diluted	<u>\$ 2.60</u>		<u>\$ 2.51</u>	

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

(Concluded)

## SHIN HAI GAS CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company				Unrealized Gain or Loss of Financial Assets through Other Comprehensive Income	Total Equity
	Capital Stock		Retained Earnings			
	Common Stock - Shares (In Thousand)	Common Stock - Amount	Legal Reserve	Unappropriated Retained Earnings		
BALANCE AT JANUARY 1, 2022	179,504	\$ 1,795,041	\$ 628,690	\$ 624,906	\$ 549,076	\$ 3,597,713
Appropriation of 2021 earnings						
Legal reserve	-	-	46,632	(46,632)	-	-
Cash dividends distributed by the Company	-	-	-	(359,008)	-	(359,008)
Net income of 2022	-	-	-	452,348	-	452,348
Other comprehensive income of 2022, net of income tax	-	-	-	9,238	(168,814)	(159,576)
Total comprehensive income of 2022	-	-	-	461,586	(168,814)	292,772
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	754	(754)	-
BALANCE AT DECEMBER 31, 2022	179,504	1,795,041	675,322	681,606	379,508	3,531,477
Appropriation of 2022 earnings						
Legal reserve	-	-	46,234	(46,234)	-	-
Cash dividends distributed by the Company	-	-	-	(359,008)	-	(359,008)
Net income of 2023	-	-	-	467,741	-	467,741
Other comprehensive income of 2023, net of income tax	-	-	-	(1,909)	264,105	262,196
Total comprehensive income of 2023	-	-	-	465,832	264,105	729,937
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	20,894	(20,894)	-
BALANCE AT DECEMBER 31, 2023	179,504	\$ 1,795,041	\$ 721,556	\$ 763,090	\$ 622,719	\$ 3,902,406

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

# SHIN HAI GAS CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 572,197	\$ 553,539
Adjustments for		
Depreciation expense	349,666	335,491
Amortization expense	69	102
Expected credit loss reversed on trade receivables	(34)	(336)
Net loss on fair value changes of financial assets at fair value through profit or loss	2,582	18,540
Interest expense	294	160
Interest income	(28,692)	(12,686)
Dividends income	(58,637)	(75,713)
Share of profit of associates and joint ventures	(2,275)	(3,694)
Loss on disposal of property, plant and equipment	6,322	2,384
Long-term deferred revenue recognized	(286,867)	(263,926)
Net changes in operating assets and liabilities:		
Notes receivable	-	1,722
Trade receivables	2,546	(3,220)
Inventories	(31,383)	(35,558)
Prepayments	(7,897)	(33,201)
Other current assets	1,452	(276)
Other financial assets - current	(5)	(106)
Notes payable	(778)	4,053
Trade payables	(3,993)	2,356
Other payables	5,811	(4,731)
Other current liabilities	621	(879)
Contract liabilities	258,502	264,959
Defined benefit liabilities	(10,088)	(1,361)
Long-term deferred revenue	319,412	301,448
Cash generated from operations	1,088,825	1,049,067
Interest received	28,692	12,686
Interest paid	(221)	(128)
Income tax paid	(103,792)	(100,090)
Net cash generated from operating activities	<u>1,013,504</u>	<u>961,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(84,548)	(48,543)
Proceeds from sale of financial assets at fair value through other comprehensive income	69,204	40,459
Purchase of financial assets at amortized cost	(90,000)	(270,000)
Purchase of financial assets at fair value through profit or loss	(27,016)	(10,791)
Proceeds from sale of financial assets at fair value through profit or loss	37,216	6,959
Payments for property, plant and equipment	(444,266)	(378,404)

(Continued)

## SHIN HAI GAS CORP. AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (In Thousands of New Taiwan Dollars)

---

	2023	2022
Proceeds from disposal of property, plant and equipment	\$ 109	\$ 63
Increase in refundable deposits	(109)	(4)
Increase in other financial assets	(71,246)	(113,852)
Dividends received	<u>58,637</u>	<u>75,713</u>
Net cash used in investing activities	<u>(552,019)</u>	<u>(698,400)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from guarantee deposits received	2,597	1,997
Repayment of the principal portion of lease liabilities	(2,351)	(2,188)
Cash dividends paid	<u>(359,008)</u>	<u>(359,008)</u>
Cash used in financing activities	<u>(358,762)</u>	<u>(359,199)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	102,723	(96,064)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>514,923</u>	<u>610,987</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 617,646</u>	<u>\$ 514,923</u>

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

(Concluded)

# SHIN HAI GAS CORP. AND SUBSIDIARIES

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

---

### 1. GENERAL INFORMATION

Shin Hai Gas Corp. (the “Company”) was incorporated in the Republic of China (ROC) and commenced business in June 1966. The Company is mainly engaged in natural gas supply service, natural gas transmission system construction, sale and installation of gas equipment, and operation and investment of type 1 telecommunications enterprise. The Company’s shares have been listed on the Taipei Exchange (TPEX) since April 1998. The Company and its subsidiaries are collectively referred to as the “Group.”

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 14, 2024.

### 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 issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRS Accounting Standards endorsed and issued into effect by the FSC did not have material impact on the Company and its subsidiaries (collectively referred to as the “Group”)’ accounting policies.

#### 1) Amendments to IAS 1 “Disclosure of Accounting Policies”

When applying the amendments, the Group refers to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Moreover:

- Accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed;
- The Group may consider the accounting policy information as material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial; and
- Not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions:

- a) The Group changed its accounting policy during the reporting period and this change resulted in a material change to the information in the financial statements;
- b) The Group chose the accounting policy from options permitted by the standards;
- c) The accounting policy was developed in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in the absence of an IFRS that specifically applies;
- d) The accounting policy relates to an area for which the Group is required to make significant judgments or assumptions in applying an accounting policy, and the Group discloses those judgments or assumptions; or
- e) The accounting is complex and users of the financial statements would otherwise not understand those material transactions, other events or conditions.

Refer to Note 4 for related accounting policy information.

## 2) Amendments to IAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments since January 1, 2023, which defines accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty. In applying accounting policies, the Group may be required to measure items at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, the Group uses measurement techniques and inputs to develop accounting estimates to achieve the objective. The effects on an accounting estimate of a change in a measurement technique or a change in an input are changes in accounting estimates unless they result from the correction of prior period errors.

- b. The IFRS Accounting Standards endorsed by the FSC for application starting from 2024

<b>New, Amended and Revised Standards and Interpretations</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024
Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”	January 1, 2024 (Note 3)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards will be effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: A seller-lessee shall apply the Amendments to IFRS 16 retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16.

Note 3: The amendments provide some transition relief regarding disclosure requirements.

Amendments to IAS 1 “Classification of Liabilities as Current or Non-current” (referred to as the “2020 amendments”) and “Non-current Liabilities with Covenants” (referred to as the “2022 amendments”)

The 2020 amendments clarify that for a liability to be classified as non-current, the Group shall assess whether it has the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. If such rights exist at the end of the reporting period, the liability is classified as non-current regardless of whether the Group will exercise that right.

The 2020 amendments also stipulate that, if the right to defer settlement is subject to compliance with specified conditions, the Group must comply with those conditions at the end of the reporting period even if the lender does not test compliance until a later date. The 2022 amendments further clarify that only covenants with which an entity is required to comply on or before the reporting date should affect the classification of a liability as current or non-current. Although the covenants to be complied with within twelve months after the reporting period do not affect the classification of a liability, the Group shall disclose information that enables users of financial statements to understand the risk of the Group, which may have difficulty complying with the covenants and repaying its liabilities within twelve months after the reporting period.

The 2020 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Group's own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that, at the option of the counterparty, result in its settlement by a transfer of the Group's own equity instruments, and if such an option is recognized separately as equity in accordance with IAS 32 "Financial Instruments: Presentation", the aforementioned terms would not affect the classification of the liability.

Except for the above impact, 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.

- c. The IFRS Accounting Standards in issue but not yet endorsed and issued into effect by the FSC

<u>New, Amended and Revised Standards and Interpretations</u>	<u>Effective Date Announced by IASB (Note 1)</u>
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 9 and IFRS 17 - Comparative Information"	January 1, 2023
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025 (Note 2)

Note 1: Unless stated otherwise, the above IFRS Accounting Standards are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: An entity shall apply those amendments for annual reporting periods beginning on or after January 1, 2025. Upon initial application of the amendments, the entity recognizes any effect as an adjustment to the opening balance of retained earnings. When the entity uses a presentation currency other than its functional currency, it shall, at the date of initial application, recognize any effect as an adjustment to the cumulative amount of translation differences in equity.

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

##### b. Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments measured at fair value, net defined benefit liabilities and other long-term employees' benefit liabilities recognized 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:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) 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:

- 1) Liabilities held primarily for the purpose of trading;
- 2) 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
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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

The Group is engaged in the installation 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). 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 and Table 3 for detailed information on subsidiaries including percentages of ownership and main businesses.

e. Inventories

Inventories consist of steel pipes, galvanized iron pipes, valves and cast iron pipes, which 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.

f. Investments in subsidiaries

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method for its investments in associates. Under the equity method, an investment in associates is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. The Group also recognizes the changes in the Group's share of equity of associates.

When the Group transacts with its associate and joint venture, profits and losses resulting from the transactions with the associate and joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate and joint venture that are not related to the Group.

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.

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. Intangible assets

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.

i. Impairment of property, plant and equipment, right-of-use asset, and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use asset, 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 individual 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.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset, cash-generating unit or assets related to contract costs 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, cash-generating unit or assets related to contract costs in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. 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 an acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to 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 fair value through profit or loss 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 investments in debt instruments and equity instruments at FVTOCI.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are mandatorily classified or designated as at FVTPL. 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, interest earned and remeasurement gains or losses on such financial assets are recognized in other gains or losses/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 28.

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 and trade receivables, 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.

Cash equivalents include time deposits and notes issued under repurchase agreement 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), lease receivables, and contract assets.

The Group always recognizes lifetime expected credit losses (ECLs) for trade receivables and lease receivables. 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.

Expected credit losses 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.

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 other comprehensive income, 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) 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.

k. 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) Natural gas sales

Natural gas sales are recognized as revenue at the time of gas consumption.

2) Revenue from interior gas pipelines installations and related services

Revenue from interior pipelines installations and related services is recognized upon completion of installation, audit and final acceptance. Receipts in advance for those are recognized as contract liabilities.

3) Revenue from exterior gas pipelines installations and demolition compensation

Revenue from exterior gas pipelines installations and demolition construction is recognized upon completion of installation, examination and final acceptance in accordance with Article 26-1 of the Accounting Regulations for Natural Gas Enterprise: "As an entity's operating assets are acquired, replaced, relocated or disposed of with payments or subsidies, net proceeds (i.e. income after deducting the carrying amount of impaired and disposed operating assets in the transaction) shall be allocated to each segment and recognized as deferred revenue, which will be amortized as revenue in the subsequent years by the same amount as the depreciation of corresponding assets over the useful lives", as amended and issued by the Ministry of Economic Affairs (MOEA) on February 27, 2013 based on the announcement of Jing-Neng-Zi Decree No. 10204600900. The Amendment has come into force since January 1, 2013. Receipts in advance for exterior pipeline installations and demolition construction are recognized as contract liabilities.

l. 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. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

## 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 by 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 balance sheet.

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.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. 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, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, 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 balance sheet.

## m. 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, past service cost, as well as gains and losses on settlements) 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.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plans except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

n. 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 Law 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 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 such temporary differences 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 carrying amounts of assets and liabilities 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.

### Gas revenue estimates

Estimates of gas revenue included year-end estimates of gas basic fee and volume-based fee revenue receivable between the last billing date and the balance sheet date. Gas volume-based fee revenue is estimated by multiplying the unit price (excluding tax) by the difference of the average gas sales volume and the gas purchase volume. The estimations of revenue receivable from gas basic fee and volume-based fee from the last billing date to the balance sheet date were based on the basic fee for the gas used by customers but not yet billed and volume-based fee estimated on gas consumption as of the balance sheet date. These estimates have not yet been billed as of the balance sheet date and may differ from the actual billing amount. The differences would be treated as changes in accounting estimates.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Cash on hand	\$ 1,050	\$ 1,050
Checking accounts and demand deposits	322,569	312,503
Cash equivalents (with original maturities less than three months)		
Repurchase agreements collateralized by bonds	<u>294,027</u>	<u>201,370</u>
	<u>\$ 617,646</u>	<u>\$ 514,923</u>

Ranges of rates for deposits at balance sheet date are as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Repurchase agreements collateralized by bonds	1.008%-1.053%	0.76%-0.79%



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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Financial assets mandatorily classified as at FVTPL		
Non-derivative financial assets		
Domestic listed shares	<u>\$ 81,629</u>	<u>\$ 94,411</u>

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

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares	<u>\$ 847,458</u>	<u>\$ 587,523</u>
<u>Non-current</u>		
Investments in equity instruments at FVTOCI		
Domestic investments		
Listed shares and emerging market shares	<u>\$ 647,438</u>	<u>\$ 619,002</u>
Unlisted shares	<u>121,890</u>	<u>124,484</u>
	<u>\$ 769,328</u>	<u>\$ 743,486</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.

These investments in equity method at FVTOCI are not pledged as collateral.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturities of more than three months	<u>\$ 1,340,000</u>	<u>\$ 1,250,000</u>

As of December 31, 2023 and 2022, the annual interest rates of time deposits with original maturities of more than three months were 1.30%-1.58% and 0.32%-1.55%.

## 10. NOTES RECEIVABLE AND TRADE RECEIVABLES

	<u>December 31</u>	
	2023	2022
<u>Notes receivable</u>		
Operating activities	\$ 40	\$ 40
<u>Trade receivables</u>		
At amortized cost		
Trade receivables - non-related parties	\$ 91,257	\$ 84,456
Estimated trade receivables	161,979	171,326
Less: Allowance for impairment loss	<u>(6,511)</u>	<u>(6,545)</u>
	<u>\$ 246,725</u>	<u>\$ 249,237</u>

In order to minimize credit risk, the management of the Group as 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 reporting period 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 applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of GDP and the prospect of the industry at the reporting date. The Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, and the Group's operating areas focus on Sanchong district, Banqiao district and Xinzhuang district, providing natural gas through pipelines, installation services for customers, and sales and services of gas equipment; accordingly, 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 information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation. 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, 2023

	<b>Under 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-365 Days</b>	<b>Over 366 Days</b>	<b>Total</b>
Gross carrying amount	\$ 240,263	\$ 6,766	\$ 1,775	\$ 800	\$ 3,632	\$ 253,236
Loss allowance (lifetime ECL)	<u>(763)</u>	<u>(618)</u>	<u>(698)</u>	<u>(800)</u>	<u>(3,632)</u>	<u>(6,511)</u>
Amortized cost	<u>\$ 239,500</u>	<u>\$ 6,148</u>	<u>\$ 1,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,725</u>

December 31, 2022

	<b>Under 30 Days</b>	<b>31-90 Days</b>	<b>91-180 Days</b>	<b>181-365 Days</b>	<b>Over 366 Days</b>	<b>Total</b>
Gross carrying amount	\$ 242,801	\$ 6,987	\$ 1,661	\$ 651	\$ 3,682	\$ 255,782
Loss allowance (lifetime ECL)	<u>(823)</u>	<u>(690)</u>	<u>(699)</u>	<u>(651)</u>	<u>(3,682)</u>	<u>(6,545)</u>
Amortized cost	<u>\$ 241,978</u>	<u>\$ 6,297</u>	<u>\$ 962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,237</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Balance at January 1	\$ 6,545	\$ 6,881
Less: Reversal of loss allowance	<u>(34)</u>	<u>(336)</u>
Balance at December 31	<u>\$ 6,511</u>	<u>\$ 6,545</u>

The notes receivable and trade receivables of the Group are not pledged as collateral.

## 11. INVENTORIES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
PE coated pipe	\$ 3,973	\$ 3,991
PE pipe	9,212	7,384
PE tube valve	5,924	5,269
Galvanized iron pipe	13,492	12,451
Cast iron pipe	249	153
Ball valve	1,331	1,304
Bronze valve	2,531	2,973
Insulation pipe fitting	1,540	1,866
Elbow pipe	3,258	2,575
Valves and pipe fitting	191,188	163,349
Natural gas	<u>126</u>	<u>126</u>
	<u>\$ 232,824</u>	<u>\$ 201,441</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2023 and 2022 included the following:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Gain on physical inventory	<u>\$ (78)</u>	<u>\$ (61)</u>

## 12. SUBSIDIARIES

### a. Subsidiaries included in the consolidated financial statements

Investor	Investee	Nature of Activities	Proportion of Ownership	
			December 31	
			2023	2022
Shin Hai Gas Corp.	Shin Wa Investment Co., Ltd.	Investment	100%	100%
Shin Wa Investment Co., Ltd.	Shin Wa Co., Ltd.	Manpower deployment	100%	100%

### b. Subsidiaries excluded from the consolidated financial statements: None

## 13. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

### Investments in Associate

	December 31	
	2023	2022
Associates that is individually material		
Great Taipei Broadband Co., Ltd.	\$ 81,044	\$ 85,097

Name of Associate	Proportion of Ownership and Voting Rights	
	December 31	
	2023	2022
Great Taipei Broadband Co., Ltd.	15%	15%

Refer to Table 3 “Information on Investees, location...” for the nature of activities, principal places of business and countries of incorporation of the associate.

As mentioned in Note 29, the Company is one of the five directors of Great Taipei Broadband Co., Ltd. Besides, the Company leases optical fiber network to Great Taipei Broadband Co., Ltd. and charges for rents, premiums, and fiber maintenance revenue. For the significant transactions between the Company and Great Taipei Broadband Co., Ltd., the Company is presumed to have significant influence on Great Taipei Broadband Co., Ltd.

The summarized financial information in respect of the Group’s associate is set out below:

	December 31	
	2023	2022
Total assets	\$ 546,728	\$ 574,618
Total liabilities	\$ 6,445	\$ 7,308
	For the Year Ended December 31	
	2023	2022
Revenue for the year	\$ 71,156	\$ 73,371
Income for the year	\$ 15,162	\$ 24,624
Share of profit or loss of associates	\$ 2,275	\$ 3,694

Investments accounted for using the equity method as well as the share of profit or loss and other comprehensive gains and losses of the associate in 2023 and 2022 were calculated based on audited financial statements.

#### 14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Gas Transmission Equipment	Regulator Equipment	Meter Equipment	Tele-communication Equipment	Other Equipment	Property under Construction	Total
<b>Cost</b>									
Balance at January 1, 2023	\$ 193,736	\$ 191,482	\$ 4,094,967	\$ 238,670	\$ 1,047,635	\$ 228,408	\$ 79,925	\$ 68,160	\$ 6,142,983
Additions	-	123	151,581	6,096	154,641	287	2,718	128,820	444,266
Reclassification	-	-	91,284	104	-	(223)	-	(91,165)	-
Disposals	-	-	(91,877)	-	(35,118)	-	(82)	-	(127,082)
Balance at December 31, 2023	<u>\$ 193,736</u>	<u>\$ 191,605</u>	<u>\$ 4,245,955</u>	<u>\$ 244,870</u>	<u>\$ 1,167,158</u>	<u>\$ 228,472</u>	<u>\$ 82,556</u>	<u>\$ 105,815</u>	<u>\$ 6,460,167</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2023	\$ -	\$ 115,021	\$ 1,630,295	\$ 211,488	\$ 512,354	\$ 193,264	\$ 69,402	\$ -	\$ 2,731,824
Depreciation expense	-	2,994	230,435	5,980	100,092	3,636	4,235	-	347,372
Disposals	-	-	(85,565)	-	(34,999)	-	(82)	-	(120,651)
Balance at December 31, 2023	<u>\$ -</u>	<u>\$ 118,015</u>	<u>\$ 1,775,165</u>	<u>\$ 217,468</u>	<u>\$ 577,447</u>	<u>\$ 196,900</u>	<u>\$ 73,550</u>	<u>\$ -</u>	<u>\$ 2,958,545</u>
Carry amount at December 31, 2023	<u>\$ 193,736</u>	<u>\$ 73,590</u>	<u>\$ 2,470,790</u>	<u>\$ 27,402</u>	<u>\$ 589,711</u>	<u>\$ 31,572</u>	<u>\$ 9,006</u>	<u>\$ 105,815</u>	<u>\$ 3,501,622</u>
<b>Cost</b>									
Balance at January 1, 2022	\$ 193,736	\$ 191,373	\$ 3,921,252	\$ 234,623	\$ 954,057	\$ 227,423	\$ 77,530	\$ 59,100	\$ 5,859,094
Additions	-	109	144,703	3,645	124,514	149	4,878	100,406	378,404
Reclassification	-	-	90,108	402	-	836	-	(91,346)	-
Disposals	-	-	(61,096)	-	(30,936)	-	(2,483)	-	(94,515)
Balance at December 31, 2022	<u>\$ 193,736</u>	<u>\$ 191,482</u>	<u>\$ 4,094,967</u>	<u>\$ 238,670</u>	<u>\$ 1,047,635</u>	<u>\$ 228,408</u>	<u>\$ 79,925</u>	<u>\$ 68,160</u>	<u>\$ 6,142,983</u>
<b>Accumulated depreciation</b>									
Balance at January 1, 2022	\$ -	\$ 112,007	\$ 1,467,571	\$ 201,312	\$ 452,311	\$ 189,670	\$ 67,674	\$ -	\$ 2,490,545
Depreciation expense	-	3,014	221,536	10,176	90,816	3,594	4,211	-	333,347
Disposals	-	-	(58,812)	-	(30,773)	-	(2,483)	-	(92,068)
Balance at December 31, 2022	<u>\$ -</u>	<u>\$ 115,021</u>	<u>\$ 1,630,295</u>	<u>\$ 211,488</u>	<u>\$ 512,354</u>	<u>\$ 193,264</u>	<u>\$ 69,402</u>	<u>\$ -</u>	<u>\$ 2,731,824</u>
Carry amount at December 31, 2022	<u>\$ 193,736</u>	<u>\$ 76,461</u>	<u>\$ 2,464,672</u>	<u>\$ 27,182</u>	<u>\$ 535,281</u>	<u>\$ 35,144</u>	<u>\$ 10,523</u>	<u>\$ 68,160</u>	<u>\$ 3,411,159</u>

Management assessed that there was no indication of impairment for the years ended December 31, 2023 and 2022.

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of the asset:

Building	
Main buildings	50-60 years
Other	5-10 years
Transmission equipment	
Main pipeline	20-30 years
Branch pipeline	10-30 years
Others	3-15 years
Meter equipment	9-10 years
Telecommunication equipment	5-15 years
Other equipment	3-5 years

Property, plant and equipment of the Group are not pledged as collateral.

#### 15. LEASE ARRANGEMENTS

##### a. Right-of-use assets

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Land	<u>\$ 4,702</u>	<u>\$ 1,726</u>

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Additions to right-of-use assets	<u>\$ 5,270</u>	<u>\$ 2,206</u>
Depreciation charge for right-of-use assets		
Land	<u>\$ 2,294</u>	<u>\$ 2,144</u>

b. Lease liabilities

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Carrying amount</u>		
Current	<u>\$ 1,326</u>	<u>\$ 1,002</u>
Non-current	<u>\$ 3,411</u>	<u>\$ 743</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Land	1.581%-2.459%	1.453%-2.023%

c. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses relating to low-value asset leases	<u>\$ 322</u>	<u>\$ 296</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	<u>\$ 35</u>	<u>\$ 29</u>
Total cash outflow for leases	<u>\$ (2,708)</u>	<u>\$ (2,513)</u>

## 16. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Computer software	<u>\$ -</u>	<u>\$ 69</u>

Other than the recognition of amortization expense, no significant addition, disposal and impairment occurred to the intangible assets of the Group.

The above cost of computer software which has finite useful life is amortized on a straight-line basis over 10 years.

## 17. OTHER FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Current</u>		
Other receivables	\$ 1,183	\$ 1,178
<u>Non-current</u>		
Pledged time deposits	\$ 18,880	\$ 18,880
Time deposits with original maturities of 1 year or more	280,000	240,000
Reserve for gas transmission pipeline replacement	<u>163,731</u>	<u>132,485</u>
	<u>\$ 462,611</u>	<u>\$ 391,365</u>

Range of rate for time deposits at balance sheet date was as follows:

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Time deposits with original maturities of 1 year or more	1.595%	1.475%

### a. Pledged time deposits

Refer to Note 30 for information relating to pledged time deposits, which have been provided as collateral for promise to purchase natural gas from CPC Corporation, Taiwan.

### b. Reserve for gas transmission pipeline replacement

In accordance with the new revised Natural Gas Enterprise Act and the Regulations Governing the Reserve Fund for Gas Transmission Pipeline Replacement by Natural Gas Enterprise, the Group should make annual contributions to the gas pipeline replacement reserve based on the previous year's net income and set up a special account for safekeeping. When the account balance has reached 50% of the total paid-in capital, the Company could stop making contributions.

## 18. OTHER PAYABLES

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Expenses payable	\$ 91,341	\$ 80,475
Gas-meter deposit refunds payable	130,636	130,750
Business tax payable	3,721	8,661
Others	<u>6</u>	<u>7</u>
	<u>\$ 225,704</u>	<u>\$ 219,893</u>

The Group complies with the Ministry of Economic Affairs letter Jing-Shou-Neng-Zi No. 09420084070 dated November 25, 2005, which states: "Gas billing method has been changed from basic usage basis to basic fee basis since January 1, 2006. All natural gas utilities should stop charging gas meter fees and refund gas meter deposits immediately." Therefore, the Group has reclassified the gas meter deposits to other payables.

## 19. DEFERRED REVENUE

	<u>December 31</u>	
	2023	2022
Deferred revenue	<u>\$ 2,055,315</u>	<u>\$ 2,022,770</u>

Article 26-1 of the Accounting Regulations for Natural Gas Enterprise issued by the Ministry of Economic Affairs (MOEA) on February 27, 2013 through Jing-Neng-Zi Decree No. 10204600900 stated: "As an entity's operating assets are acquired, replaced, relocated or disposed with payments or subsidies, net proceeds (i.e. income after deducting the carrying amount of impaired and disposed operating assets in the transaction) shall be allocated to each segment and recognized as deferred revenue, which will be transferred to revenue in the subsequent years by the same amount as the depreciation of corresponding assets over their useful lives." The regulation has come into force since January 1, 2013.

Deferred revenue and gas transmission and storage pipeline equipment were recognized in accordance with the regulation mentioned above; deferred revenue is transferred to income when earned and customer pipeline equipment assets are depreciated on an annual basis over their useful lives.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

### b. Defined benefit plans

The defined benefit plans adopted by the Group in accordance with the Labor Standards Act Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Group contributes amounts equal to 15% 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, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

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

	<u>December 31</u>	
	2023	2022
Present value of defined benefit obligation	\$ 244,487	\$ 244,015
Fair value of plan assets	<u>(231,677)</u>	<u>(223,503)</u>
Deficit	<u>12,810</u>	<u>20,512</u>
Net defined benefit liabilities	<u>\$ 12,810</u>	<u>\$ 20,512</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 (Assets)</b>
Balance at January 1, 2023	\$ 244,015	\$ (223,503)	\$ 20,512
Current service cost	1,997	-	1,997
Past service costs	2,342	-	2,342
Interest expense (income)	3,238	(3,047)	191
Recognized in profit or loss	<u>7,577</u>	<u>(3,047)</u>	<u>4,530</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,791)	(1,791)
Actuarial gain - changes in financial assumptions	2,081	-	2,081
Actuarial loss - experience adjustments	<u>2,096</u>	<u>-</u>	<u>2,096</u>
Recognized in other comprehensive income	<u>4,177</u>	<u>(1,791)</u>	<u>2,386</u>
Contributions from the employer	-	(3,336)	(3,336)
Payment by the account of the Company	<u>(11,282)</u>	<u>-</u>	<u>(11,282)</u>
Balance at December 31, 2023	<u>\$ 244,487</u>	<u>\$ (231,677)</u>	<u>\$ 12,810</u>
Balance at January 1, 2022	\$ 251,173	\$ (217,753)	\$ 33,420
Current service cost	1,994	-	1,994
Interest expense (income)	1,216	(1,059)	157
Recognized in profit or loss	<u>3,210</u>	<u>(1,059)</u>	<u>2,151</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(17,655)	(17,655)
Actuarial gain - changes in financial assumptions	(7,069)	-	(7,069)
Actuarial loss - experience adjustments	<u>13,177</u>	<u>-</u>	<u>13,177</u>
Recognized in other comprehensive income	<u>6,108</u>	<u>(17,655)</u>	<u>(11,547)</u>
Contributions from the employer	-	(3,512)	(3,512)
Benefits paid	<u>(16,746)</u>	<u>16,746</u>	<u>-</u>
Balance at December 31, 2022	<u>\$ 244,015</u>	<u>\$ (223,503)</u>	<u>\$ (20,512)</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 should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government or corporate 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 by reference to the future salaries of plan participants. As such, an increase in the salary 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 were as follows:

	<u>December 31</u>	
	2023	2022
Discount rate(s)	1.250%	1.375%
Expected rate(s) 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:

	<u>December 31</u>	
	2023	2022
Discount rate(s)		
0.25% increase	<u>\$ (4,134)</u>	<u>\$ (4,397)</u>
0.25% decrease	<u>\$ 4,250</u>	<u>\$ 4,526</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 4,144</u>	<u>\$ 4,419</u>
0.25% decrease	<u>\$ (4,052)</u>	<u>\$ (4,315)</u>

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

	<u>December 31</u>	
	2023	2022
Expected contributions to the plans for the next year	<u>\$ 3,399</u>	<u>\$ 3,356</u>
Average duration of the defined benefit obligation	7.1 years	7.4 years

## 21. EQUITY

### a. Ordinary shares

	<u>December 31</u>	
	2023	2022
Number of shares authorized (in thousand shares)	<u>180,000</u>	<u>180,000</u>
Shares authorized	<u>\$ 1,800,000</u>	<u>\$ 1,800,000</u>
Number of shares issued and fully paid (in thousand shares)	<u>179,504</u>	<u>179,504</u>
Shares issued	<u>\$ 1,759,041</u>	<u>\$ 1,795,041</u>

Fully paid ordinary shares, which have a par value of \$10, are entitled to vote and receive dividends.

b. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Group 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 in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the 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. Cash dividends for shareholders should not be lower than 20 percent. 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 24.

Appropriations of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

When the Group withdraws the special surplus reserve for the net deduction of other equity accumulated in the previous period, it is only provided for the undistributed surplus of the previous period.

The appropriations of earnings for 2022 and 2021, which were approved in the shareholders' meetings on June 15, 2023 and June 24, 2022, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Cash Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Legal reserve	\$ 46,234	\$ 46,632	\$ -	\$ -
Cash dividends	359,008	359,008	2.00	2.00

The appropriations of earnings for 2023 proposed by the Company's board of directors on March 14, 2024 were as follows:

	<b>Appropriation</b>	<b>Cash Dividends</b>
	<b>of Earnings</b>	<b>Per Share</b>
		<b>(NT\$)</b>
Legal reserve	\$ 48,673	\$ -
Cash dividends	359,008	2.00

The appropriation of earnings for 2022 will be resolved by the shareholders in their meeting to be held on June 13, 2023.

c. Other equity items

Unrealized valuation gain/(loss) on financial assets at FVTOCI

	<u>For the Year Ended December 31</u>	
	2023	2022
Balance at January 1	\$ 379,508	\$ 549,076
Recognized for the year		
Unrealized gain (loss) - equity instruments	270,433	(162,105)
Share from associates accounted for using equity method	(6,328)	(6,709)
Cumulative unrealized gain of equity instruments transferred to retained earnings due to disposal	<u>(20,894)</u>	<u>(754)</u>
Balance at December 31	<u>\$ 622,719</u>	<u>\$ 379,508</u>

**22. OPERATING REVENUE**

	<u>For the Year Ended December 31</u>	
	2023	2022
Revenue from contracts with customers		
Natural gas sales revenue	\$ 1,658,355	\$ 1,668,378
Installation services revenue	339,080	310,086
Telecommunication revenue	37,379	35,085
Other operating revenue	<u>254,681</u>	<u>223,009</u>
	<u>\$ 2,289,495</u>	<u>\$ 2,236,558</u>

**Contract Balances**

	December 31, 2023	December 31, 2022	January 1, 2022
Contract liabilities			
Unearned installation services revenue (new installation)	\$ 1,732,625	\$ 1,440,669	\$ 1,199,956
Unearned installation services revenue (modification)	15,616	15,178	18,059
Others	<u>22,700</u>	<u>56,592</u>	<u>29,465</u>
	<u>\$ 1,770,941</u>	<u>\$ 1,512,439</u>	<u>\$ 1,247,480</u>

Revenue from contracts with customers in 2023 included installation services revenue of \$97,355 thousand, and other operating revenue of \$99,385 thousand recognized from contract liabilities as well as installation services revenue of \$235,501 thousand, other operating revenue of \$50,662 thousand, and telecommunication revenue of \$704 thousand recognized from deferred revenue.

Revenue from contracts with customers in 2022 included installation services revenue of \$90,958 thousand, and other operating revenue of \$66,927 thousand recognized from contract liabilities as well as installation services revenue of \$213,430 thousand, other operating revenue of \$49,792 thousand, and telecommunication revenue of \$704 thousand recognized from deferred revenue.

Amounts from contract liabilities at the beginning of the year recognized in operating income in 2023 and 2022 were \$187,767 thousand and \$150,632 thousand, respectively.

### 23. OPERATING COST

	<u>For the Year Ended December 31</u>	
	2023	2022
Natural gas cost	\$ 1,304,619	\$ 1,308,692
Installation services cost	167,551	156,655
Telecommunication cost	9,769	6,997
Other operating cost	<u>156,180</u>	<u>131,506</u>
	<u>\$ 1,638,119</u>	<u>\$ 1,603,850</u>

### 24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

#### a. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2023	2022
Liquidated damages revenue	\$ 1,584	\$ 1,566
Gain on disposal of property, plant and equipment	(6,322)	(2,384)
Other	<u>3,950</u>	<u>3,257</u>
	<u>\$ (788)</u>	<u>\$ 2,439</u>

#### b. Depreciation, amortization and employee benefit expenses

	<u>For the Year Ended December 31</u>					
	2023			2022		
	Attributed to Operating Cost	Attributed to Operating Expenses	Total	Attributed to Operating Cost	Attributed to Operating Expenses	Total
Employee benefit expenses						
Payroll expenses	\$ 136,491	\$ 93,504	\$ 229,995	\$ 128,521	\$ 88,233	\$ 216,754
Labor and health insurance premium	-	20,792	20,792	-	20,341	20,341
Post-employment benefits						
Defined contribution plan	4,571	1,257	5,828	4,121	1,228	5,349
Defined benefit plans	1,678	2,521	4,199	1,751	163	1,914
Other employee benefits	<u>3,973</u>	<u>5,308</u>	<u>9,281</u>	<u>3,929</u>	<u>5,035</u>	<u>8,964</u>
Total employee benefit expenses	<u>\$ 146,713</u>	<u>\$ 123,382</u>	<u>\$ 270,095</u>	<u>\$ 138,322</u>	<u>\$ 115,000</u>	<u>\$ 253,322</u>
Depreciation expense						
Property, plant and equipment	\$ 341,630	\$ 5,742	\$ 347,372	\$ 327,726	\$ 5,621	\$ 333,347
Right-of-use assets	<u>2,294</u>	<u>-</u>	<u>2,294</u>	<u>2,144</u>	<u>-</u>	<u>2,144</u>
Total depreciation expense	<u>\$ 343,924</u>	<u>\$ 5,742</u>	<u>\$ 349,666</u>	<u>\$ 329,870</u>	<u>\$ 5,621</u>	<u>\$ 335,491</u>
Amortization expense						
Intangible assets	<u>\$ -</u>	<u>\$ 69</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 102</u>	<u>\$ 102</u>

c. Compensation of employees and remuneration of directors and supervisors

The Group accrued compensation of employees and remuneration of directors and supervisors at the rates of between 2% and 4% and no higher than 2%, respectively, of net profit before income tax. In addition, according to Lao-Dong-Guan 3 letter No. 1050127518 dated September 8, 2016, when the Group distributes compensation of employees in accordance with the provisions of Article 235-1 of the Company Act, the amount of compensation should not lower than 5% of earnings which shall be taxed; distribution of earnings shall be made after offsetting accumulated deficit of previous year, if any, and after setting aside 10% to legal reserve and setting aside or reversing special reserve according to regulations. This is not applicable when the shareholders' dividend is lower than 70% of the annual surplus earnings.

The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2023 and 2022, which were approved by the Company's board of directors on March 14, 2024 and March 16, 2023, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Compensation of employees	4%	4%
Remuneration of directors and supervisors	2%	2%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Compensation of employees	<u>\$ 24,178</u>	<u>\$ 23,377</u>
Remuneration of directors and supervisors	<u>\$ 12,089</u>	<u>\$ 11,688</u>

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

For 2022 and 2021, there was no difference between the recorded amounts in financial statements and the actual amounts of compensation of employees, directors, and supervisors.

For information on the compensation of employees and remuneration of directors resolved by the board of directors in 2023 and 2022, visit the Market Observation Post System (MOPS) of the Taiwan Stock Exchange.

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

### a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	2023	2022
Current tax		
In respect of the current year	\$ 100,758	\$ 98,341
Income tax on unappropriated earnings	1,592	1,769
Adjustments for prior years' tax	<u>(364)</u>	<u>-</u>
	101,986	100,110
Deferred tax		
In respect of the current year	<u>2,470</u>	<u>1,081</u>
Income tax expense recognized in profit or loss	<u>\$ 104,456</u>	<u>\$ 101,191</u>

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

	<u>For the Year Ended December 31</u>	
	2023	2022
Income before income tax	<u>\$ 572,197</u>	<u>\$ 553,539</u>
Income tax expense at the statutory rate	\$ 114,439	\$ 110,707
Tax effect of adjusting items:		
Nondeductible expenses and losses	-	140
Tax-exempt income	(11,211)	(11,425)
Income tax on unappropriated earnings	1,592	1,769
Adjustments for prior years' tax	<u>(364)</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 104,456</u>	<u>\$ 101,191</u>

### b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2023	2022
<u>Deferred tax</u>		
In respect of the current year:		
Remeasurement of defined benefit plans	<u>\$ 477</u>	<u>\$ (2,309)</u>

### c. Current tax liabilities

	<u>December 31</u>	
	2023	2022
Current tax liabilities	<u>\$ 50,780</u>	<u>\$ 52,586</u>

d. Deferred tax assets

The movements of deferred tax assets were as follows:

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 plans	\$ 3,419	\$ (2,018)	\$ 477	\$ 1,878
Allowance for impairment loss	797	3	-	800
Write-down of inventories	1,337	-	-	1,337
Loss on investment accounted for using equity method	<u>26,215</u>	<u>(455)</u>	<u>-</u>	<u>25,760</u>
	<u>\$ 31,768</u>	<u>\$ (2,470)</u>	<u>\$ 477</u>	<u>\$ 29,775</u>

For the year ended December 31, 2022

	<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 plans	\$ 6,000	\$ (272)	\$ (2,309)	\$ 3,419
Allowance for impairment loss	867	(70)	-	797
Write-down of inventories	1,337	-	-	1,337
Loss on investment accounted for using equity method	<u>26,954</u>	<u>(739)</u>	<u>-</u>	<u>26,215</u>
	<u>\$ 35,158</u>	<u>\$ (1,081)</u>	<u>\$ (2,309)</u>	<u>\$ 31,768</u>

e. Income tax assessments

The income tax returns of the Company and its subsidiaries through 2021 have been assessed by the tax authorities.



## 26. EARNINGS PER SHARE

### a. Basic earnings per share

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Earnings for the year attributable to owners of the Company used in the computation of basic earnings per share	<u>\$ 467,741</u>	<u>\$ 452,348</u>
Weighted average number of ordinary shares in the computation of basic earnings per share (in thousands of shares)	<u>179,504</u>	<u>179,504</u>
Basic earnings per share (NT\$per share)	<u>\$ 2.61</u>	<u>\$ 2.52</u>

### b. Diluted earnings per share

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

	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Earnings for the year attributable to owners of the Company used in the computation of diluted earnings per share	<u>\$ 467,741</u>	<u>\$ 452,348</u>
Weighted average number of ordinary shares in the computation of basic earnings per share (in thousands of shares)	179,504	179,504
Effect of potentially dilutive ordinary shares Compensation of employees	<u>545</u>	<u>571</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>180,049</u>	<u>180,075</u>
Diluted earnings per share (NT\$per share)	<u>\$ 2.60</u>	<u>\$ 2.51</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.

## 27. CAPITAL MANAGEMENT

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

For the capital structure of the Group, the Group not only adopted prudent strategies for risk management, but also did overall planning based on the strategies of services development and the demand of operation.

The Group is also subject to the capitalization requirements of the Natural Gas Enterprise Act. Article 41 states: “the amount of paid-in capital of natural gas utility enterprises should not be lower than 35% of the original acquisition cost of current transmission and storage equipment. If a natural gas utility enterprise’s amount of paid-in capital is lower than the required amount, the paid-in capital should be increased within 3 months from the date when the fact happens.” As of December 31, 2023, the Group met the required paid-in capital.

## 28. FINANCIAL INSTRUMENTS

- a. Fair value of financial instruments that are measured at fair value on a recurring basis

### Fair value hierarchy

	<b>December 31, 2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 81,629	\$ -	\$ -	\$ 81,629
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,494,896	\$ -	\$ -	\$ 1,494,896
Domestic unlisted shares	-	-	121,890	121,890
	<u>\$ 1,494,896</u>	<u>\$ -</u>	<u>\$ 121,890</u>	<u>\$ 1,616,786</u>
	<b>December 31, 2022</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<u>Financial assets at FVTPL</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 94,411	\$ -	\$ -	\$ 94,411
<u>Financial assets at FVTOCI</u>				
Investment in equity instruments				
Domestic listed shares and emerging market shares	\$ 1,206,525	\$ -	\$ -	\$ 1,206,525
Domestic unlisted shares	-	-	124,484	124,484
	<u>\$ 1,206,525</u>	<u>\$ -</u>	<u>\$ 124,484</u>	<u>\$ 1,331,009</u>

There were no transfers between Levels 1 and 3 in the current and prior years.

b. Categories of financial instruments

	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
<u>Financial assets</u>		
FVTPL		
Designated as at FVTPL	\$ 81,629	\$ 94,411
Financial assets at amortized cost		
Cash and cash equivalents	617,646	514,923
Financial assets at amortized cost - current	1,340,000	1,250,000
Notes receivable	40	40
Trade receivables	246,725	249,237
Financial assets at FVTOCI		
Equity instruments - current	847,458	587,523
Equity instruments - non-current	769,328	743,486
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Notes payable	5,266	6,044
Trade payables	162,836	166,849
Trade payables to related parties	1,396	1,376
Other payables	225,704	219,893

c. Financial risk management objectives and policies

The Group ensures that operating capital is sufficient and efficient. The Group cautiously manages market risk, credit risk and liquidity risk to reduce potential negative impact on finance due to uncertainties.

1) Market risk

The Group has neither borrowed from financial institutions nor engaged in derivative financial instruments, so the Group does not have significant market risks.

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 period, 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 and due to the financial guarantees provided by the Group, could be equal to the total of the following:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The maximum amount the entity would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised.

The policy adopted by the Group is to only conduct transactions with reputable counterparties, and obtain sufficient guarantees where necessary to mitigate the risk of financial loss due to default. The Group is a natural gas utility enterprise, and its sales targets are mainly general household users. Accordingly, the management of the Group believes that the Group's credit risk has been significantly reduced.

3) Liquidity risk

The Group manages and maintains a sufficient portion of cash and cash equivalents to support the Group 's operations and mitigate the impact of cash flow fluctuations.

As of December 31, 2023 and 2022, the Group has no requirement for short-term bank financing.

**29. TRANSACTIONS WITH RELATED PARTIES**

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Hence, they are not disclosed in this note. 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>
Great Taipei Broadband Co., Ltd.	Investee that is material
The Great Taipei Gas Corporation	Investor that is material
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	Associate

b. Operating revenue

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Investee that is material Great Taipei Broadband Co., Ltd.	<u>\$ 5,810</u>	<u>\$ 5,810</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

c. Operating cost

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Investor that is material The Great Taipei Gas Corporation	<u>\$ 12,268</u>	<u>\$ 12,014</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

d. Purchases of goods

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2023</u>	<u>2022</u>
Investor that is material The Great Taipei Gas Corporation	<u>\$ 443</u>	<u>\$ 871</u>

The transaction conditions and payment methods with related parties have no major abnormality with non-related parties.

e. Trade payables

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investor that is material The Great Taipei Gas Corporation	<u>\$ 1,396</u>	<u>\$ 1,376</u>

f. Other payables

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investor that is material The Great Taipei Gas Corporation	<u>\$ 395</u>	<u>\$ -</u>

g. Prepayments

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2023</b>	<b>2022</b>
Investor that is material The Great Taipei Gas Corporation	<u>\$ -</u>	<u>\$ 786</u>

h. Operating expense

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Investor that is material The Great Taipei Gas Corporation	\$ 8	\$ 29
Investee that is material Great Taipei Broadband Co., Ltd.	600	585
Yi-Kong International Apartment Building Management and Maintenance Co., Ltd.	<u>1,899</u>	<u>1,780</u>
	<u>\$ 2,507</u>	<u>\$ 2,394</u>

i. Acquisition of property, plant and equipment (classified as other equipment)

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Investor that is material The Great Taipei Gas Corporation	<u>\$ 2,361</u>	<u>\$ -</u>

j. Remuneration of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2023 and 2022 was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2023</b>	<b>2022</b>
Short-term benefits	\$ 48,886	\$ 50,117
Post-employment benefits	<u>3,045</u>	<u>794</u>
	<u>\$ 51,931</u>	<u>\$ 50,911</u>

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

k. Other transactions with related parties

- 1) The Great Taipei Gas Corporation undertakes the computerized processing of the Company's billing, including system maintenance, system software and hardware provision, payment receipts and receipt printing, etc. Printing of the Company's monthly payment receipts and postcard receipts for each household is priced at NT\$5.50 (tax excluded). The contract period was from January 1, 2016 to December 31, 2020.

The contract was renewed on December 31, 2020, and the new contract period is from January 1, 2021 to December 31, 2025.

- 2) On November 1, 2017, Great Taipei Broadband Co., Ltd. signed an optical fiber network asset lease and use contract with the Company for its business operations. The lease objects include 25% of the total 192 cores located in Sanchong, Xinzhuang, Banqiao and other places, that is, 48 cores and about 59.62 kilometers long optical fiber network assets. The Company pays \$484 thousand (tax excluded) monthly during the lease period from November 1, 2017 to October 31, 2027. In 2023 and 2022, the Company recognized a telecommunication income of \$5,810 thousand (tax excluded) for both years.
- 3) On September 1, 2010, the Company signed a contract for the construction and maintenance of the GIS setup and maintenance contract with The Great Taipei Gas Corporation. The total price of the setup contract is \$7,500 thousand (tax excluded) (classified as other equipment), and the total price of system maintenance is \$1,350 thousand (tax excluded) (maintenance period is 3 years from January 1, 2022 to December 31, 2024) with an annual payment of \$450 thousand (tax excluded).

In addition, on November 7, 2022, the Company signed a contract for construction of the pipeline GIS setup. The scope includes the completion of software inquiry functions and personnel education and training. The system construction amount is \$1,571 thousand (tax excluded) (classified as other equipment).

- 4) On July 6, 2023, the Company signed a contract for the construction of the meters regular renewed management system application (APP) setup contract with The Great Taipei Gas Corporation. The total price of the setup contract is \$790 thousand (tax excluded) (classified as other equipment).

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

The following assets were pledged as collateral for promise to purchase natural gas from CPC Corporation, Taiwan.

	<u>December 31</u>	
	<u>2023</u>	<u>2022</u>
Pledged time deposits (classified as other financial assets - non-current)	<u>\$ 18,880</u>	<u>\$ 18,880</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to Note 30, there were no significant commitments and contingencies of the Group as of December 31, 2023.

### 32. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 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 and 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 (Table 2)
- 11) Information on investees (Table 3)

b. Information on investments in mainland China: None

c. Information of major shareholders

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)

**33. SEGMENT INFORMATION**

a. Segment revenue and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segments:

	Gas Supply Segment	Equipment Segment	Telecom- munication Segment	Others	Total
For the year ended					
<u>December 31, 2023</u>					
Revenue					
Operating revenue	\$ 1,737,728	\$ 339,080	\$ 37,379	\$ 175,308	\$ 2,289,495
Other operating revenue	<u>1,160</u>	<u>227</u>	<u>236</u>	<u>2,804</u>	<u>4,427</u>
	<u>1,738,888</u>	<u>339,307</u>	<u>37,615</u>	<u>178,112</u>	<u>2,293,922</u>
Operating cost and expense					
Operating cost	1,333,668	184,788	9,769	109,894	1,638,119
Operating expense	111,612	39,711	1,470	9,970	162,763
Interest expense	<u>72</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>294</u>
	<u>1,445,352</u>	<u>224,499</u>	<u>11,461</u>	<u>119,864</u>	<u>1,801,176</u>
Other operating income and expense	<u>(603)</u>	<u>(185)</u>	<u>-</u>	<u>-</u>	<u>(788)</u>
Segment income	<u>\$ 292,933</u>	<u>\$ 114,623</u>	<u>\$ 26,154</u>	<u>\$ 58,248</u>	491,958
General operating expense					(5,988)
Loss on financial assets at fair value through profit or loss					(2,582)
Other income					60
Miscellaneous expense					(855)
Share of profit of associates and joint ventures accounted for using the equity method					2,275
Dividend income					58,637
Interest income					<u>28,692</u>
Profit before income tax					<u>\$ 572,197</u>
Identifiable assets					
Investments accounted for using the equity method	<u>\$ 3,498,258</u>	<u>\$ 1,104,849</u>	<u>\$ 38,126</u>	<u>\$ 158,298</u>	\$ 4,799,531
General assets					81,044
					<u>3,420,498</u>
Total assets					
Depreciation expense	<u>\$ 231,278</u>	<u>\$ 113,965</u>	<u>\$ 3,765</u>	<u>\$ 658</u>	
Capital expenditure	<u>\$ 312,342</u>	<u>\$ 131,531</u>	<u>\$ 63</u>	<u>\$ 330</u>	

(Continued)



	Gas Supply Segment	Equipment Segment	Telecommunication Segment	Others	Total
For the year ended					
<u>December 31, 2022</u>					
Revenue					
Operating revenue	\$ 1,727,844	\$ 310,086	\$ 35,085	\$ 163,543	\$ 2,236,558
Other operating revenue	<u>1,403</u>	<u>252</u>	<u>150</u>	<u>3,047</u>	<u>4,852</u>
	<u>1,729,247</u>	<u>310,338</u>	<u>35,235</u>	<u>166,590</u>	<u>2,241,410</u>
Operating cost and expense					
Operating cost	1,328,925	168,502	6,997	99,426	1,603,850
Operating expense	104,671	36,190	1,521	9,604	151,986
Interest expense	<u>32</u>	<u>-</u>	<u>128</u>	<u>-</u>	<u>160</u>
	<u>1,433,628</u>	<u>204,692</u>	<u>8,646</u>	<u>109,030</u>	<u>1,755,996</u>
Other operating income and expense	<u>2,483</u>	<u>(44)</u>	<u>-</u>	<u>-</u>	<u>2,439</u>
Segment income	<u>\$ 298,102</u>	<u>\$ 105,602</u>	<u>\$ 26,589</u>	<u>\$ 57,560</u>	487,853
General operating expense					(6,323)
Loss on financial assets at fair value through profit or loss					(18,540)
Other income					60
Miscellaneous expense					(1,604)
Share of profit of associates and joint ventures accounted for using the equity method					3,694
Dividend income					75,713
Interest income					<u>12,686</u>
Profit before income tax					<u>\$ 553,539</u>
Identifiable assets	<u>\$ 3,357,187</u>	<u>\$ 1,021,028</u>	<u>\$ 39,302</u>	<u>\$ 121,776</u>	\$ 4,539,293
Investments accounted for using the equity method					85,097
General assets					<u>3,016,965</u>
Total assets					<u>\$ 7,641,355</u>
Depreciation expense	<u>\$ 226,997</u>	<u>\$ 104,154</u>	<u>\$ 3,709</u>	<u>\$ 631</u>	
Capital expenditure	<u>\$ 254,545</u>	<u>\$ 121,741</u>	<u>\$ 986</u>	<u>\$ 1,132</u>	

(Concluded)

The segment revenue was generated by transactions with external customer. No inter-segment transaction happened in 2023 and 2022.

The Group's major operations are natural gas sales, gas equipment construction and Type 1 telecommunication. There was no inter-segment sale. Therefore, segment revenue refers to sales revenue and other revenue from external customers, and the operating cost and operating expense refer to cost and expense directly and reasonably attributed to the generation of segment revenue. According to the Accounting Regulations for Natural Gas Enterprise issued by the Ministry of Economic Affairs, cost and expenses are apportioned to each segment according to the nature of each expense or the proportion of the number of employees employed by the segment or the proportion of the income of the segment. Segment-identifiable assets are defined as assets that could be directly attributable to individual reportable segments. Assets used by two or more segments or jointly by reportable segments were allocated based on the above expense allocation method or other reasonable method of allocation.

b. Revenue from major products and services

The illustration of the Group's continuing operations and service revenue were described in Note 22.

c. Geographical information

The Group's continuing operations, external customers, and non-current assets were located in Taiwan. The non-current assets exclude financial assets, investments accounted for using the equity method and deferred income tax assets.

d. Information about major customers

The Group had no revenue from a single customer that accounted for more than 10% of the Group's total revenue.

## SHIN HAI GAS CORP. AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2023

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

Holding Company Name	Type and Issuer of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2023			Note
				Shares	Carrying Amount	Percentage of Ownership (%)	
Shin Hai Gas Corp.	Stocks Taiwan Cement Corporation	None	Financial assets mandatorily classified at FVTPL - current	1,890,000	\$ 65,866	0.02	\$ 65,866
	Formosa Taffeta Co., Ltd.	"	"	400,000	10,080	0.02	10,080
	Sanitar Co., Ltd.	"	"	154,000	5,683	0.21	5,683
					<u>\$ 81,629</u>		<u>\$ 81,629</u>
	Stocks Nan Ya Plastics Corporation	None	Financial assets at FVTOCI - current	700,000	\$ 46,550	0.01	\$ 46,550
	Taiwan Secom Co., Ltd.	"	"	860,000	100,620	0.19	100,620
	Mega Financial Holding Company Limited	"	"	632,000	24,783	-	24,783
	Cathay Financial Holding Co., Ltd.	"	"	1,450,000	66,338	0.01	66,338
	Quanta Computer Inc.	"	"	1,350,000	303,075	0.03	303,075
	Taiwan Shin Kong Security Co., Ltd.	Associates	"	3,923,000	158,293	1.01	158,293
Shin Kong Financial Holding Co., Ltd.	"	"	2,500,000	22,125	0.02	22,125	
CTBC Financial Holding Co., Ltd.	None	"	1,000,000	28,350	-	28,350	
Shin Wa Investment Co., Ltd.	Stocks Shin Kong Financial Holding Co., Ltd.	Associate	Financial assets at FVTOCI - current	4,500,000	39,825	0.29	39,825
	Taiwan Shin Kong Security Co., Ltd.	"	"	1,425,000	57,499	0.37	57,499
					<u>\$ 847,458</u>		<u>\$ 847,458</u>
Shin Hai Gas Corp.	Stocks Shin Shin Natural Gas Co., Ltd.	Associate	Financial assets at FVTOCI - non-current	4,668,441	\$ 191,173	2.59	\$ 191,173
	Shin Lung Natural Gas Co., Ltd.	"	"	1,747,267	59,861	2.50	59,861
	The Great Taipei Gas Corporation	"	"	1,419,000	46,401	0.27	46,401
	Top Taiwan IX Venture Capital Co., Ltd.	"	"	2,625,000	62,029	6.25	62,029
Shin Wa Co., Ltd.	Stocks The Great Taipei Gas Corporation	Associate	"	6,900,000	225,630	1.34	225,630
	Shin Shin Natural Gas Co., Ltd.	"	"	3,600,000	147,420	1.99	147,420
	The Shanghai Commercial & Savings Bank Co., Ltd.	None	"	750,000	35,100	0.02	35,100
	Hsin Kao Gas Co., Ltd.	None	"	43,340	1,714	0.04	1,714
					<u>\$ 769,328</u>		<u>\$ 769,328</u>

**SHIN HAI GAS CORP. AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Transaction Company	Counterparty	Relationship (Note 2)	Transaction Details			% of Total Sales or Assets (Note 3)
				Financial Statement Accounts	Amount	Payment Terms	
0	Shin Hai Gas Corp.	Shin Wa Co., Ltd.	a	Operating cost	\$ 39,451	No significant difference with general customers	1.72
			a	Operating expense	778	"	-
			a	Trade payable	3,125	"	0.04
			a	Other payable	65	"	-
			a	Deposits received	36	"	-
			a	Other income	411	"	-
		Shin Wa Investment Co., Ltd.	a	Other income	57	"	-

Note 1: The information of intercompany relationship should be indicated in the No. column, the number fill-in rule as follow:

- a. Parent company fill 0.
- b. Subsidiaries are numbered sequentially starting with the Arabic numeral 1 according to the company.

Note 2: The relationship with intercompany has the following three types, and mark number to distinguish the type:

- a. Parent company to subsidiaries.
- b. Subsidiaries to parent company.
- c. Subsidiaries to subsidiaries.

Note 3: The calculation of the ratio of the transaction amount to the consolidated operating revenue or total assets: If the account belongs to balance sheet, calculated as the ratio of ending balance to the consolidated total assets. If the account belongs to income statement, it is calculated as the ratio of the accumulated amount of the account to the consolidated operating revenue for the period.

**SHIN HAI GAS CORP. AND SUBSIDIARIES**  
**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		As of December 31, 2023		Net Income (Loss) of the Investee	Share of Profits (Loss)	Note
				December 31, 2023	December 31, 2022	Shares	Percent			
Shin Hai Gas Corp.	Shin Wa Investment Co., Ltd. Great Taipei Broadband Co., Ltd.	5F., No. 26, Dagan St., Xinzhuang Dist., New Taipei City 8F., No. 33, Ln. 11, Guangfu N. Rd., Songshan Dist., Taipei City	Investment Ether leased line service	\$ 198,000 225,000	\$ 198,000 225,000	19,800,000 22,500,000	100 15	\$ 23,190 15,162	\$ 23,190 2,275	Subsidiary (Note) Non-controlling investments accounted for using equity method
Shin Wa Investment Co., Ltd.	Shin Wa Co., Ltd.	4F., No. 26, Dagan St., Xinzhuang Dist., New Taipei City	Manpower deployment	10,000	10,000	1,000,000	100	9,260	9,260	Sub-subsidiary (Note)

Note: The share of income of subsidiaries accounted for using the equity method included in the consolidated financial statements. Intercompany transactions and balances have been eliminated in the consolidation.

**TABLE 4****SHIN HAI GAS CORP.****INFORMATION OF MAJOR SHAREHOLDERS  
DECEMBER 31, 2023**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Pai Xun Investment Co., Ltd.	32,479,378	18.09
The Great Taipei Gas Corporation	16,919,277	9.42
Conscious Enterprises Co., Ltd.	13,865,722	7.72
Chien Dou Investment Co., Ltd.	12,293,773	6.84
Pioneer Chemical Corporation	9,856,832	5.49

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