

# **Evergreen Steel Corporation**

**Financial Statements for the  
Years Ended December 31, 2020 and 2019 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Evergreen Steel Corporation

### **Opinion**

We have audited the accompanying financial statements of Evergreen Steel Corporation (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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 Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the 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 identified in the Company's financial statements for the year ended December 31, 2020 are described as follows:

#### **Project Revenue Recognition**

The Company's project revenue mainly comes from providing steel structure engineering contracting business; during the project contract period, the project revenue is recognized based on the degree of completion. Project revenue recognition from construction depends on the degree of completion of the project which involves subjective judgment which may result in profit or loss or certain risks that are not recognized in the correct period. Therefore, we identified the project revenue recognition as a key audit matter.

The main audit procedures that we performed for testing the project revenue recognition are as follows:

1. We obtained an understanding of the design and implementation of the Company's project revenue evaluation method and control system by performing control tests.
2. We selected samples of the project revenue of the current year that are subject to detailed tests, which included checking the price of the customer's construction contract for consistency and the adequacy of the completion ratio, and recalculated the degree of completion and verified the correctness of the project revenue.
3. We performed analytical review of project revenue, and checked for major differences between the progress of the payment and the project contract.

Refer to Note 4 to the financial statements for the accounting policy on the assessment of construction contracts. Refer to Notes 5 and 23 for critical accounting judgments and key sources of estimation uncertainty.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company 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 Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the 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 auditing standards generally accepted in 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 financial statements.

As part of an audit in accordance with the auditing standards generally accepted in 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2020 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 Ching-Fu Chang and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 10, 2021

Notice to Readers

*The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.*

# EVERGREEN STEEL CORPORATION

## BALANCE SHEETS DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

ASSETS	2020		2019	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 663,913	3	\$ 112,038	1
Financial assets at amortized cost - current (Notes 4, 8 and 30)	3,600	-	3,600	-
Contract assets - current (Notes 4, 21, 23 and 29)	4,190,973	22	2,759,083	18
Notes receivable (Notes 4 and 21)	126,225	1	52,461	1
Trade receivables (Notes 4, 9 and 21)	511,911	2	318,561	2
Trade receivables from related parties (Notes 4, 9, 21 and 29)	151,094	1	23,900	-
Other receivables (Note 29)	14,925	-	13,993	-
Inventories (Notes 4, 10 and 21)	988,027	5	638,739	4
Other current assets (Note 15)	164,470	1	29,734	-
Total current assets	<u>6,815,138</u>	<u>35</u>	<u>3,952,109</u>	<u>26</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	6,328,925	33	5,467,318	36
Investments accounted for using equity method (Notes 4 and 11)	3,648,702	19	3,290,690	21
Property, plant and equipment (Notes 4, 12 and 30)	2,384,518	12	2,394,501	16
Right-of-use assets (Notes 4 and 13)	20,479	-	26,674	-
Investment properties (Notes 4, 14 and 30)	7,823	-	11,240	-
Other intangible assets (Note 4)	3,561	-	6,766	-
Deferred tax assets (Notes 4 and 25)	17,842	-	20,231	-
Refundable deposits	6,683	-	4,176	-
Other non-current assets (Note 15)	79,647	1	97,760	1
Total non-current assets	<u>12,498,180</u>	<u>65</u>	<u>11,319,356</u>	<u>74</u>
<b>TOTAL</b>	<u>\$ 19,313,318</u>	<u>100</u>	<u>\$ 15,271,465</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 690,000	4	\$ 200,000	1
Short-term bills payable (Note 16)	1,799,171	9	399,869	3
Contract liabilities - current (Notes 4, 21 and 23)	323,755	2	297,508	2
Notes payable, net	349,566	2	226,745	2
Trade payable, net (Notes 17 and 21)	1,132,183	6	953,879	6
Lease liabilities - current (Notes 4 and 13)	8,756	-	9,307	-
Other payables (Notes 18 and 29)	147,118	1	120,753	1
Current tax liabilities (Notes 4 and 25)	68,835	-	-	-
Provisions - current (Notes 4 and 19)	60,792	-	63,532	-
Current portion of long-term borrowings (Note 16)	300,000	2	-	-
Other current liabilities	32,031	-	33,000	-
Total current liabilities	<u>4,912,207</u>	<u>26</u>	<u>2,304,593</u>	<u>15</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	300,000	2	150,000	1
Deferred tax liabilities (Notes 4 and 25)	65,995	-	65,996	1
Lease liabilities - non-current (Notes 4 and 13)	9,738	-	16,075	-
Net defined benefit liabilities - non-current (Notes 4 and 20)	23,033	-	43,336	-
Other non-current liabilities	530	-	579	-
Total non-current liabilities	<u>399,296</u>	<u>2</u>	<u>275,986</u>	<u>2</u>
Total liabilities	<u>5,311,503</u>	<u>28</u>	<u>2,580,579</u>	<u>17</u>
<b>EQUITY (Note 22)</b>				
Share capital				
Ordinary shares	3,994,260	21	3,994,260	26
Capital surplus	396,542	2	356,431	3
Retained earnings				
Legal reserve	2,190,673	11	2,095,929	14
Unappropriated earnings	6,347,269	33	6,192,425	40
Total retained earnings	8,537,942	44	8,288,354	54
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(648)	-	(921)	-
Unrealized gain on financial assets at fair value through other comprehensive income	1,166,832	6	171,807	1
Total other equity	1,166,184	6	170,886	1
Treasury shares	(93,113)	(1)	(119,045)	(1)
Total equity	<u>14,001,815</u>	<u>72</u>	<u>12,690,886</u>	<u>83</u>
<b>TOTAL</b>	<u>\$ 19,313,318</u>	<u>100</u>	<u>\$ 15,271,465</u>	<u>100</u>

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

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 29)	\$ 7,263,895	100	\$ 6,109,403	100
OPERATING COSTS (Notes 10, 20, 24 and 29)	<u>(6,460,683)</u>	<u>(89)</u>	<u>(5,510,375)</u>	<u>(90)</u>
GROSS PROFIT	<u>803,212</u>	<u>11</u>	<u>599,028</u>	<u>10</u>
OPERATING EXPENSES (Notes 20, 24 and 29)				
Selling and marketing expenses	(230,668)	(3)	(321,317)	(5)
General and administrative expenses	(120,279)	(2)	(111,538)	(2)
Expected credit (loss) gain	<u>(13,277)</u>	<u>-</u>	<u>37,907</u>	<u>-</u>
Total operating expenses	<u>(364,224)</u>	<u>(5)</u>	<u>(394,948)</u>	<u>(7)</u>
PROFIT FROM OPERATIONS	<u>438,988</u>	<u>6</u>	<u>204,080</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	4,515	-	8,426	-
Other income (Notes 24 and 29)	125,302	1	212,282	3
Other gains and (losses) (Note 24)	(8,029)	-	(23,820)	-
Finance costs (Note 24)	(19,147)	-	(6,402)	-
Share of profit of subsidiaries	<u>594,715</u>	<u>8</u>	<u>590,920</u>	<u>10</u>
Total non-operating income and expenses	<u>697,356</u>	<u>9</u>	<u>781,406</u>	<u>13</u>
PROFIT BEFORE INCOME TAX	1,136,344	15	985,486	16
INCOME TAX EXPENSE (Note 25)	<u>(92,695)</u>	<u>(1)</u>	<u>(38,049)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>1,043,649</u>	<u>14</u>	<u>947,437</u>	<u>15</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	(1,069)	-	(3,311)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income	994,491	14	(8,364)	-
Share of the other comprehensive income of subsidiaries accounted for using the equity method	399	-	303	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	<u>214</u>	<u>-</u>	<u>663</u>	<u>-</u>
	<u>994,035</u>	<u>14</u>	<u>(10,709)</u>	<u>-</u>

(Continued)

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020		2019	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 341	-	\$ (1,214)	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 25)	(68)	-	243	-
	<u>273</u>	<u>-</u>	<u>(971)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>994,308</u>	<u>14</u>	<u>(11,680)</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 2,037,957</u>	<u>28</u>	<u>\$ 935,757</u>	<u>15</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 2.65</u>		<u>\$ 2.44</u>	
Diluted	<u>\$ 2.65</u>		<u>\$ 2.44</u>	

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

(Concluded)



**EVERGREEN STEEL CORPORATION**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Treasury Shares	Total Equity
	Ordinary Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2019	405,426	\$ 4,054,260	\$ 286,082	\$ 1,997,893	\$ 6,128,546	\$ 50	\$ 207,846	\$ (305,074)	\$ 12,369,603
Appropriation of 2018 earnings									
Legal reserve	-	-	-	98,036	(98,036)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(810,852)	-	-	-	(810,852)
Other changes in capital surplus									
Treasury shares transferred to employees	-	-	37,722	-	-	-	-	47,815	85,537
Compensation related to treasury shares transferred to employees	-	-	5,432	-	-	-	-	-	5,432
Cash dividends from the Company	-	-	35,316	-	-	-	-	-	35,316
Net profit for the year ended December 31, 2019	-	-	-	-	947,437	-	-	-	947,437
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,345)	(971)	(8,364)	-	(11,680)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	945,092	(971)	(8,364)	-	935,757
Dividends from claims extinguished by prescription	-	-	93	-	-	-	-	-	93
Disposal of treasury shares	-	-	35,447	-	-	-	-	34,553	70,000
Retirement of treasury shares	(6,000)	(60,000)	(43,661)	-	-	-	-	103,661	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	27,675	-	(27,675)	-	-
BALANCE AT DECEMBER 31, 2019	399,426	3,994,260	356,431	2,095,929	6,192,425	(921)	171,807	(119,045)	12,690,886
Appropriation of 2019 earnings									
Legal reserve	-	-	-	94,744	(94,744)	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(793,071)	-	-	-	(793,071)
Cash dividends from the Company	-	-	4,998	-	-	-	-	-	4,998
Changes in percentage of ownership interests in subsidiaries	-	-	8,510	-	-	-	-	-	8,510
Net profit for the year ended December 31, 2020	-	-	-	-	1,043,649	-	-	-	1,043,649
Other comprehensive income (loss) for the year ended December 31, 2020, net of income tax	-	-	-	-	(456)	273	994,491	-	994,308
Total comprehensive income for the year ended December 31, 2020	-	-	-	-	1,043,193	273	994,491	-	2,037,957
Disposal of treasury shares	-	-	26,603	-	-	-	-	25,932	52,535
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	(534)	-	534	-	-
BALANCE AT DECEMBER 31, 2020	399,426	\$ 3,994,260	\$ 396,542	\$ 2,190,673	\$ 6,347,269	\$ (648)	\$ 1,166,832	\$ (93,113)	\$ 14,001,815

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

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,136,344	\$ 985,486
Adjustments for:		
Depreciation expense (investment properties included)	137,612	112,871
Amortization expense	4,310	6,379
Expected credit loss recognized (reversed) on trade receivables	13,277	(37,907)
Treasury shares transferred to employees at cost	-	5,432
Finance costs	19,147	6,402
Interest income	(4,515)	(8,426)
Dividend income	(100,549)	(167,427)
Share of profit of subsidiaries	(594,715)	(590,920)
Gain on disposal of long-term assets	(1,173)	(1,267)
Net loss on disposal of inventories	5,622	-
Impairment loss recognized on investment properties	3,417	23,678
Realized gain on the transactions with subsidiaries	(1,273)	(1,273)
Gain on lease modification	-	(50)
Changes in operating assets and liabilities		
Increase in contract assets	(1,431,890)	(377,594)
(Increase) decrease in notes receivable	(73,764)	47,051
(Increase) decrease in trade receivables	(333,821)	314,642
(Increase) decrease in other receivables	(669)	2,095
(Increase) decrease in inventories	(354,910)	185,644
(Increase) decrease in other current assets	(134,736)	76,845
Increase (decrease) in contract liabilities	26,247	(554,378)
Increase (decrease) in notes payable	122,821	(114,400)
Increase (decrease) in trade payables	178,304	(55,663)
Increase in other payables	25,984	5,130
(Decrease) increase in provisions	(2,740)	53,132
Decrease in deferred revenue	(94)	(93)
(Decrease) increase in other current liabilities	(969)	23,748
Decrease in net defined benefit liabilities	(21,371)	(37,986)
Cash used in operations	(1,384,104)	(98,849)
Interest received	4,252	8,433
Interest paid	(18,766)	(6,264)
Income tax paid	(21,259)	(129,546)
Net cash used in operating activities	<u>(1,419,877)</u>	<u>(226,226)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets at fair value through other comprehensive income	(1,543)	(399,888)
Proceeds from sale of financial assets at fair value through other comprehensive income	1,646	72,254
Proceeds from sale of financial assets at amortized cost	-	5,800
Acquisition of investments accounted for using equity the method	(101,004)	(175,400)

(Continued)

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (In Thousands of New Taiwan Dollars)

	2020	2019
Payments for property, plant and equipment	\$ (118,771)	\$ (372,438)
Proceeds from disposal of property, plant and equipment	663	419
(Increase) decrease in refundable deposits	(2,507)	6,851
Payments for intangible assets	(1,105)	(4,662)
Proceeds from disposal of investment properties	-	8,077
Decrease in other non-current assets	18,113	20,570
Other dividends received	100,549	167,427
Dividends received from subsidiaries	<u>539,260</u>	<u>684,287</u>
Net cash generated from investing activities	<u>435,301</u>	<u>13,297</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	490,000	200,000
Proceeds from bills payable	1,399,302	399,869
Proceeds from long-term borrowings	600,000	150,000
Repayments of long-term borrowings	(150,000)	-
Increase (decrease) in guarantee deposits	45	(1,623)
Repayment of principal portion of lease liabilities	(9,825)	(13,133)
Dividends paid to owners of the Company	(793,071)	(810,852)
Treasury shares sold to employees	-	85,537
Dividends from claims extinguished by prescription	<u>-</u>	<u>93</u>
Net cash generated from financing activities	<u>1,536,451</u>	<u>9,891</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	551,875	(203,038)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>112,038</u>	<u>315,076</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 663,913</u>	<u>\$ 112,038</u>

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

(Concluded)

# EVERGREEN STEEL CORPORATION

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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

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### 1. GENERAL INFORMATION

Evergreen Steel Corporation (“the Company” formerly Evergreen Heavy Industrial Corporation, which was later renamed Evergreen E-Services Corporation and Evergreen Development Corporation) was incorporated in January 1973 as a company limited by shares under the Company Law of the Republic of China. The Company merged with Evergreen Superior Alloys Corporation on August 31, 1990. In 1993, the superior alloys division and related assets were transferred or sold to Gloria Material Technology Corporation (formerly Gloria Heavy Industrial Corporation). The Company merged with Ever Pioneer Steel Corporation on October 31, 1998. In 1998, management discontinued the operations of the container production division. On September 30, 2009, the Company merged with Green Steel Structure Corporation by issuing 4,993 thousand shares to acquire a minority interest holding of 5.72%. In this merger, the Company was the survivor entity.

In January 13 2020, the Company received approval from the Taipei Exchange (TPEX) for a domestic initial public offering and its ordinary shares were listed and traded on the Emerging Stock Boards.

The Company repairs containers and manufactures and sells steel structures and related components.

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

### 2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Company’s board of directors on March 10, 2021.

### 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 “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

#### Amendments to IAS 1 and IAS 8 “Definition of Material”

The Company adopted the amendments starting from January 1, 2020. The threshold of materiality that could influence users has been changed to “could reasonably be expected to influence”. Accordingly, disclosures in the consolidated financial statements do not include immaterial information that may obscure material information.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2021

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	Effective immediately upon promulgation by the IASB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021
Amendment to IFRS 16 “Covid-19 - Related Rent Concessions”	June 1, 2020

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

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note1)</b>
“Annual Improvements to IFRS Standards 2018-2020”	January 1, 2022 (Note 2)
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022 (Note 3)
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 IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2023
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 6)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 7)
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022 (Note 4)
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022 (Note 5)

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

Note 2: The amendments to IFRS 9 will be applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 “Agriculture” will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 “First-time Adoptions of IFRSs” will be applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

Note 6: The amendments will be applied prospectively for annual reporting periods beginning on or after January 1, 2023.

Note 7: The amendments are applicable to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the annual reporting period beginning on or after January 1, 2023.

1) Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”

The amendments clarify that for a liability to be classified as non-current, the Company 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 are in existence at the end of the reporting period, the liability is classified as non-current regardless of whether the Company will exercise that right. The amendments also clarify that, if the right to defer settlement is subject to compliance with specified conditions, the Company 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 amendments stipulate that, for the purpose of liability classification, the aforementioned settlement refers to a transfer of cash, other economic resources or the Company’s own equity instruments to the counterparty that results in the extinguishment of the liability. However, if the terms of a liability that could, at the option of the counterparty, result in its settlement by a transfer of the Company’s own equity instruments, and if such 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.

2) Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”

The amendments specify that when assessing whether a contract is onerous, the “cost of fulfilling a contract” includes both the incremental costs of fulfilling that contract (for example, direct labor and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of depreciation for an item of property, plant and equipment used in fulfilling the contract).

The Company will recognize the cumulative effect of the initial application of the amendments in the retained earnings at the date of the initial application.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

b. Basis of preparation

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

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

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

When preparing the parent company only financial statements, the Company used the equity method to account for its investments in subsidiaries. In order for the amounts of the net profit for the year, other comprehensive income for the year and total equity in the parent company only financial statements to be the same as the amounts attributable to the owners of the Company in its consolidated financial statements, adjustments arising from the differences in accounting treatments between the parent company only basis and the consolidated basis were made to investments accounted for using the equity method, the share of profit or loss of subsidiaries, the share of other comprehensive income of subsidiaries, as appropriate, in the parent company only financial statements.

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; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

The Company engages in the construction business, which has an operating cycle of over one year, and the normal operating cycle applies when considering the classification of the Company's construction-related assets and liabilities.

d. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries, associates and branches in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using the exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive income.

e. Inventories

Inventories consist of raw materials, supplies and inventory in transit. Inventories 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 weighted-average cost on the balance sheet date.

f. Investments in subsidiaries

The Company uses the equity method to account for its investments in subsidiaries.

A subsidiary is an entity that is controlled by the Company.

Under the equity method, investment in a subsidiary is initially recognized at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary. The Company also recognizes the changes in the Company's share of equity of subsidiaries attributable to the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in the Company losing control of the subsidiary are accounted for as equity transactions. The Company recognizes directly in equity any difference between the carrying amount of the investment and the fair value of the consideration paid or received.

The Company assesses its investment for any impairment by comparing the carrying amount with the estimated recoverable amount as assessed based on the investee's financial statements as a whole. Impairment loss is recognized when the carrying amount exceeds the recoverable amount. If the recoverable amount of the investment subsequently increases, the Company recognizes reversal of the impairment loss; the adjusted post-reversal carrying amount should not exceed the carrying amount that would have been recognized (net of amortization or depreciation) had no impairment loss been recognized in prior years.

Profit or loss resulting from downstream transactions is eliminated in full only in the parent company only financial statements. Profit and loss resulting from upstream transactions and transactions between subsidiaries is recognized only in the parent company only financial statements and only to the extent of interests in the subsidiaries that are not related to the Company.



When the Company subscribes for additional new shares of a subsidiary at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Company's proportionate interest in the subsidiary. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Company's ownership interest is reduced due to its additional subscription of the new shares of the subsidiary, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that subsidiary is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation on 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 method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

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

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

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

k. Financial instruments

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at amortized cost and investments in equity instruments at FVTOCI.

i. Financial assets at amortized cost

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

- i) The financial asset is 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 asset 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 at amortized cost, 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 with original maturities within 12 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.

ii. Investments in equity instruments at FVTOCI

On initial recognition, the Company 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 Company'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 and contract assets

The Company recognizes a loss allowance for expected credit losses on financial assets and contract assets at amortized cost (including trade receivables).

The Company always recognizes lifetime expected credit losses (ECLs) for trade receivables and contract assets. For all other financial instruments, the Company 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 Company 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 a 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 amount through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

1. Provisions

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

1) Onerous contracts

Onerous contracts are those in which the Company's unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received from the contract. The present obligations arising under onerous contracts are recognized and measured as provisions.

2) Warranties

The contractual obligation of the warranty expenditure is expected to occur during the warranty period after the completion of the construction contracts. The Company sets out the provisions according to the warranty expenditure expected to occur during the warranty period. If the preparation is not enough, the current year's expenses shall be included.

m. Revenue recognition

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

1) Revenue from the sale of goods

Revenue from sale of goods comes from manufacturing and sale of steel bars. Sales of goods are recognized as revenue when the goods are shipped or delivered to customer because that is the time customer has full discretion over the manner of distribution and the price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Trade receivables are recognized concurrently.

2) Revenue from the rendering of services

Revenue from the rendering of services comes from providing container repair, renovation and storage services. Such service revenue is recognized when performance obligations are satisfied.

3) Construction contracts revenue

The Company recognizes revenue over time during the construction process. Because the cost of unit of the installation completion of the construction is directly related to fulfilling performance obligation, the Company uses the cost of unit of installation as the estimated total output incurred. The cost ratio is used to measure the progress of the completion, and after the inspection of the installation of the construction, income and cost are relatively recognized. The Company gradually recognizes contract assets during the construction process and transfers the amount to accounts receivable when issuing invoices. If the payment received for the construction project exceeds the amount, the difference is recognized as contract liability. The project retention fund is withheld by the customer as stated in the contract to ensure that the Company completes all contractual obligations and is recognized as contract assets until the Company satisfies the performance obligations.

n. Leases

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

1) The Company 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 Company as lessee

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

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

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

Lease liabilities are initially measured at the present value of the lease payments. 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 Company uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Company 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 sheets.

o. 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 an expense when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability 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 occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. 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.

p. Share-based payment arrangements

The fair value at the grant date of the treasury shares transferred to employees is expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approve the transaction.

q. Taxation

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

1) Current tax

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 asset 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 asset 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 Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax 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 tax are also recognized in other comprehensive income or directly in equity respectively.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about 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.

The Company considers the economic implications of the COVID-19 when making its critical accounting estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

### Construction Contracts

Contract revenue and costs are recognized by reference to the stage of completion of each contract. The stage of completion of a contract is measured based on the proportion of contract costs incurred for work performed to date as the estimated total contract costs. Under the IFRS 15, incentives and penalties are considered as variables and shall be included in the contract revenue only when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The estimated total contract costs and contractual items are assessed and determined by management based on the nature of the work, expected sub-contracting charges, construction periods, processes, methods, etc., for each construction contract. Changes in these estimates might affect the calculation of the percentage of completion and related profit and loss from the construction contracts. Refer to Note 23 for related information.

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Cash on hand	\$ 2,815	\$ 2,815
Checking accounts and demand deposits	95,098	43,223
Cash equivalent		
Time deposits	<u>566,000</u>	<u>66,000</u>
	<u>\$ 663,913</u>	<u>\$ 112,038</u>

The market rate intervals of time deposits in the bank at the end of the reporting period were as follows:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Time deposits	0.82%	1.065%



## 7. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 5,298,293	\$ 4,479,292
Unlisted shares	881,433	840,467
Foreign investments		
Unlisted shares	<u>149,199</u>	<u>147,559</u>
	<u>\$ 6,328,925</u>	<u>\$ 5,467,318</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes.

The Company sold its investments to diversify risks in 2020 and 2019, and transferred a (loss) gain of \$(534) thousand and \$27,675 thousand, respectively, from other equity to retained earnings.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Current</u>		
Pledge deposits	<u>\$ 3,600</u>	<u>\$ 3,600</u>

- a. The ranges of interest rates for pledge deposits were approximately 0.815% and 1.065% per annum as of December 31, 2020 and 2019, respectively.
- b. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 663,182	\$ 342,461
Less: Allowance for impairment loss	<u>(177)</u>	<u>-</u>
	<u>\$ 663,005</u>	<u>\$ 342,461</u>

The average credit period on sales of goods is 0 to 120 days. In determining the recoverability of a trade receivable, the Company considers the changes in the credit quality of the trade receivable since the date of credit was initially granted to the end of the reporting period. The allowance for bad debts refers to the past arrears records of the counterparty and the analysis of its current financial status to estimate the amount that cannot be recovered.

The Company applies the simplified approach for the allowance of expected credit loss prescribed by IFRS 9, which permits the use of a lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix approach considering the past default experience of the debtor and an analysis of the debtor's current financial positions.

The Company writes off a trade receivable when there is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery of the receivable, e.g. when the debtor has been placed under liquidation, or when the trade receivables are over 365 days past due, whichever occurs earlier. The Company directly recognizes the impairment loss of related accounts receivable.

The following table details the Group's aging of trade receivables.

#### December 31, 2020

	<u>Amount Without Sign of Default</u>				<u>Amount with Sign of Default</u>	<u>Total</u>
	<u>0 to 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>		
Expected credit loss rate	0.02%	0.53%	10%	-	-	
Gross carrying amount	\$ 657,567	\$ 5,575	\$ 40	\$ -	\$ -	\$ 663,182
Loss allowance (Lifetime ECLs)	<u>(144)</u>	<u>(29)</u>	<u>(4)</u>	<u>-</u>	<u>-</u>	<u>(177)</u>
Amortized cost	<u>\$ 657,423</u>	<u>\$ 5,546</u>	<u>\$ 36</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 663,005</u>

#### December 31, 2019

	<u>Amount Without Sign of Default</u>				<u>Amount with Sign of Default</u>	<u>Total</u>
	<u>0 to 60 Days</u>	<u>61 to 90 Days</u>	<u>91 to 120 Days</u>	<u>Over 120 Days</u>		
Expected credit loss rate	-	-	-	-	-	
Gross carrying amount	\$ 340,345	\$ 1,922	\$ -	\$ 194	\$ -	\$ 342,461
Loss allowance (Lifetime ECLs)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 340,345</u>	<u>\$ 1,922</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 342,461</u>

The above is an aging analysis based on the account opening date.

The above aging schedule was based on the ledger date. The movements of the loss allowance of trade receivables were as follows:

	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ -	\$ 14,049
Less: Allowance for impairment loss	<u>177</u>	<u>(14,049)</u>
Balance at December 31	<u>\$ 177</u>	<u>\$ -</u>

## 10. INVENTORIES

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Raw materials	\$ 979,728	\$ 629,464
Supplies	1,096	7,299
Inventory in transit	<u>7,203</u>	<u>1,976</u>
	<u>\$ 988,027</u>	<u>\$ 638,739</u>

The cost of inventories, excluding the cost from steel structure industry, recognized as operating cost for the years ended December 31, 2020 and 2019 was \$118,210 thousand and \$139,109 thousand, respectively.

The cost of goods sold which included the inventory reversals and disposals is as follow:

	2020	2019
Inventory write-downs (reversed)	\$ 2,995	\$ (24,864)
Loss of inventory scrapped and physical inventories	<u>2,627</u>	<u>-</u>
	<u>\$ 5,622</u>	<u>\$ (24,864)</u>

Previous write-downs were reversed as a result of sold of inventory that had been write-downs.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Subsidiaries

Name of Subsidiaries	December 31	
	2020	2019
Hsin Yung Enterprise Corporation	\$ 1,753,091	\$ 1,643,400
Super Max Engineering Enterprise Co., Ltd.	825,841	728,987
Ming Yu Investment Corporation	289,005	237,704
Ever Ecove Corporation	<u>780,765</u>	<u>680,599</u>
	<u>\$ 3,648,702</u>	<u>\$ 3,290,690</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2020	2019
Hsin Yung Enterprise Corporation	68.46%	68.46%
Super Max Engineering Enterprise Co., Ltd.	48.13%	48.12%
Ming Yu Investment Corporation	100.00%	100.00%
Ever Ecove Corporation	50.06%	70.00%

- a. Ever Ecove Corporation handled a cash capital increase at the end of November 30, 2020. The Company did not subscribe for new shares based on the shareholding ratio. After the capital increase, the shareholding ratio dropped to 50.06%.
- b. The investments in subsidiaries accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2020 and 2019 was based on the subsidiaries' audited financial statements for the years then ended.

## 12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Cost</u>							
Balance at January 1, 2020	\$ 1,375,099	\$ 159,659	\$ 1,417,987	\$ 742,345	\$ 63,786	\$ 54,138	\$ 3,813,014
Additions	-	-	3,519	1,010	767	954	6,250
Disposals	-	-	(17)	(7,655)	(3,307)	(3,012)	(13,991)
Reclassification	-	(1,288)	80,296	32,431	-	1,082	112,521
Balance at December 31, 2020	<u>\$ 1,375,099</u>	<u>\$ 158,371</u>	<u>\$ 1,501,785</u>	<u>\$ 768,131</u>	<u>\$ 61,246</u>	<u>\$ 53,162</u>	<u>\$ 3,917,794</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2020	\$ -	\$ 121,975	\$ 870,487	\$ 348,044	\$ 41,149	\$ 36,858	\$ 1,418,513
Disposals	-	-	(39)	(7,381)	(3,307)	(2,990)	(13,717)
Depreciation expense	-	3,414	43,986	67,971	6,510	6,599	128,480
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 125,389</u>	<u>\$ 914,434</u>	<u>\$ 408,634</u>	<u>\$ 44,352</u>	<u>\$ 40,467</u>	<u>\$ 1,533,276</u>
Carrying amount at December 31, 2020	<u>\$ 1,375,099</u>	<u>\$ 32,982</u>	<u>\$ 587,351</u>	<u>\$ 359,497</u>	<u>\$ 16,894</u>	<u>\$ 12,695</u>	<u>\$ 2,384,518</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,178,429	\$ 126,736	\$ 1,137,729	\$ 575,843	\$ 64,053	\$ 44,385	\$ 3,127,175
Additions	-	-	33,740	228	7,189	6,575	47,732
Disposals	-	-	(20,671)	(10,177)	(7,456)	(717)	(39,021)
Reclassification	-	32,923	111,436	176,451	-	3,895	324,705
Transfers from investment properties	196,670	-	155,753	-	-	-	352,423
Balance at December 31, 2019	<u>\$ 1,375,099</u>	<u>\$ 159,659</u>	<u>\$ 1,417,987</u>	<u>\$ 742,345</u>	<u>\$ 63,786</u>	<u>\$ 54,138</u>	<u>\$ 3,813,014</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 118,942	\$ 772,544	\$ 302,631	\$ 42,084	\$ 32,488	\$ 1,268,689
Disposals	-	-	(15,195)	(8,462)	(7,456)	(717)	(31,830)
Depreciation expense	-	3,033	30,233	53,875	6,521	5,087	98,749
Transfers from investment properties	-	-	82,905	-	-	-	82,905
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 121,975</u>	<u>\$ 870,487</u>	<u>\$ 348,044</u>	<u>\$ 41,149</u>	<u>\$ 36,858</u>	<u>\$ 1,418,513</u>
Carrying amount at December 31, 2019	<u>\$ 1,375,099</u>	<u>\$ 37,684</u>	<u>\$ 547,500</u>	<u>\$ 394,301</u>	<u>\$ 22,637</u>	<u>\$ 17,280</u>	<u>\$ 2,394,501</u>

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

Land improvements	3-10 years
Buildings	2-55 years
Machinery and equipment	3-10 years
Transportation equipment	5 years
Other equipment	3-5 years

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 30.

### 13. LEASE ARRANGEMENTS

a. Right-of-use assets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Carrying amount</u>		
Land	\$ 19,476	\$ 24,667
Buildings	-	-
Other equipment	<u>1,003</u>	<u>2,007</u>
	<u>\$ 20,479</u>	<u>\$ 26,674</u>
	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Additions to right-of-use assets	<u>\$ 3,617</u>	<u>\$ 17,945</u>
Depreciation charge for right-of-use assets		
Land	\$ 8,128	\$ 6,338
Buildings	-	4,549
Other equipment	<u>1,004</u>	<u>1,004</u>
	<u>\$ 9,132</u>	<u>\$ 11,891</u>

Except for the aforementioned addition and recognized depreciation, the Company did not have significant sublease or impairment of right-of-use assets for the years ended December 31, 2020 and 2019.

b. Lease liabilities

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Carrying amount (incremental borrowing rate at 1.1%)		
Current	<u>\$ 8,756</u>	<u>\$ 9,307</u>
Non-current	<u>\$ 9,738</u>	<u>\$ 16,075</u>

c. Material lease-in activities and terms (the Company as lessee)

The Company leases land, buildings and equipment for the use of plants and manufacturing with lease term of 2 to 3 years. The Company does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease term. In addition, the Company is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Expenses relating to short-term leases and low-value asset leases	<u>\$ 9,961</u>	<u>\$ 6,238</u>
Total cash outflow for leases	<u>\$ 20,011</u>	<u>\$ 19,712</u>

#### 14. INVESTMENT PROPERTIES

	<b>Amount</b>
<u>Cost</u>	
Balance at January 1, 2020	\$ 150,995
Additions	<u>-</u>
Balance at December 31, 2020	<u>\$ 150,995</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2020	\$ (139,755)
Impairment loss	<u>(3,417)</u>
Balance at December 31, 2020	<u>\$ (143,172)</u>
Carrying amount at December 31, 2020	<u>\$ 7,823</u>
<u>Cost</u>	
Balance at January 1, 2019	\$ 514,076
Disposals	(10,658)
Transfers to property, plant and equipment	<u>(352,423)</u>
Balance at December 31, 2019	<u>\$ 150,995</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ (206,588)
Impairment losses	(23,678)
Disposals	9,837
Depreciation expense	(2,231)
Transfers to property, plant and equipment	<u>82,905</u>
Balance at December 31, 2019	<u>\$ (139,755)</u>
Carrying amount at December 31, 2019	<u>\$ 11,240</u>

For the years ended December 31, 2019, the investment properties are depreciated using the straight-line method over 6-50 years.

The valuation was arrived by reference to market evidence of transaction prices for similar properties, it is fair value is as followed:

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
Fair value	<u>\$ 15,028</u>	<u>\$ 18,580</u>

## 15. OTHER ASSETS

	<u>December 31</u>	
	2020	2019
<u>Current</u>		
Prepaid expense	\$ 19,881	\$ 11,753
Prepayments	96,349	6
Tax credit	<u>48,240</u>	<u>17,975</u>
	<u>\$ 164,470</u>	<u>\$ 29,734</u>
<u>Non-current</u>		
Prepayments for equipment	<u>\$ 79,647</u>	<u>\$ 97,760</u>

## 16. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	2020	2019
<u>Unsecured borrowings</u>		
Line of credit borrowings	<u>\$ 690,000</u>	<u>\$ 200,000</u>

The range of effective interest rate on bank loans was 0.88%-0.90% and 0.95% per annum as of December 31, 2020 and 2019, respectively.

### b. Short-term bills payable

	<u>December 31</u>	
	2020	2019
Commercial paper	\$ 1,800,000	\$ 400,000
Less: Unamortized discounts on short-term bills payable	<u>(829)</u>	<u>(131)</u>
	<u>\$ 1,799,171</u>	<u>\$ 399,869</u>

Outstanding short-term bills payable were as follows:

December 31, 2020

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>
<u>Commercial paper</u>				
China Bills Finance Corporation	\$ 600,000	\$ (390)	\$ 599,610	0.848%
Mega Bills Finance Co., Ltd.	600,000	(189)	599,811	0.858%
International Bills Finance Corporation	<u>600,000</u>	<u>(250)</u>	<u>599,750</u>	0.868%
	<u>\$ 1,800,000</u>	<u>\$ (829)</u>	<u>\$ 1,799,171</u>	

December 31, 2019

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>
<u>Commercial paper</u>				
China Bills Finance Corporation	\$ 200,000	\$ (66)	\$ 199,934	0.918%
Mega Bills Finance Co., Ltd.	<u>200,000</u>	<u>(65)</u>	<u>199,935</u>	0.918%
	<u>\$ 400,000</u>	<u>\$ (131)</u>	<u>\$ 399,869</u>	

c. long-term borrowings

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
<u>Secured borrowings</u>		
Bank loans (Note 30)	\$ 580,000	\$ 150,000
<u>Unsecured borrowings</u>		
Bank loans	<u>20,000</u>	<u>-</u>
	600,000	150,000
Less: Current portions	<u>(300,000)</u>	<u>-</u>
	<u>\$ 300,000</u>	<u>\$ 150,000</u>

- 1) The Company borrowed \$300,000 thousand and \$100,000 thousand from Taiwan Business Bank which were secured by land and building mortgage guarantees. The loan maturity date is January 16, 2024. The effective interest rate was 0.893% and 1.195% per annum as of December 31, 2020 and 2019, respectively. Starting from the actual date of disbursement, the Company paid interest monthly during the first 3 years. On the fourth year, the principal with interest will be paid monthly for 2 years. The Company borrowed \$100,000 thousand for 2019, which made a full repayment of the debt in advance in January 2020.
- 2) The Company borrowed \$280,000 thousand from Cathay United Bank which was secured by building mortgage guarantees and unsecured borrowings of \$20,000 thousand. The loan term is from February 24, 2020 to June 28, 2021. Starting from the actual date of disbursement, the Company makes monthly amortized payments on principal and interest. The Company will fully repay the debt when it is due. The effective interest rate was 0.95%-1% per annum as of December 31, 2020.
- 3) The Company borrowed \$50,000 thousand from Taiwan Cooperative Bank which was secured by land and buildings mortgage guarantee. The loan term is from January 18, 2019 to January 18, 2021. Starting from the actual date of disbursement, the Company makes monthly amortized payments on principal and interest. The Company made a full repayment of the debt in advance in January 2020. The effective interest rate was 1.2% per annum as of December 31, 2019.

## 17. TRADE PAYABLES

The average credit period on purchases of certain goods was 30 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.



Retentions payable on construction contracts which are included in trade payables and are not bearing interest and are expected to be paid at the end of retention periods, which are within the normal operating cycle of the Company, usually more than twelve months after the reporting period. Refer to Note 21 for maturity analysis of retentions payable.

## 18. OTHER LIABILITIES

	<u>December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Other payables		
Payable for transportation fees	\$ 37,745	\$ 30,496
Payable for annual leave	28,164	24,533
Payable for compensation of employee and remuneration of directors and supervisors	10,745	12,407
Payable for insurance expenses	10,516	8,380
Payable for salaries or bonus	6,907	3,123
Payable for repairs and maintenance	4,664	13,051
Payable for professional fees	3,388	2,919
Others	<u>44,989</u>	<u>25,844</u>
	<u>\$ 147,118</u>	<u>\$ 120,753</u>

## 19. PROVISIONS

	<u>For the Year Ended December 31</u>	
	<b>2020</b>	<b>2019</b>
<u>Current</u>		
Warranties*	\$ 60,723	\$ 56,115
Onerous contract - loss on construction	<u>69</u>	<u>7,417</u>
	<u>\$ 60,792</u>	<u>\$ 63,532</u>

\* The contractual obligation of the warranty expenditure is expected to occur during the warranty period after the completion of the construction contracts.

## 20. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

b. Defined benefit plans

The defined benefit plan adopted by the Company in accordance with the Labor Standards Act is operated by the government of ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 6% 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 Company 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 Company 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 Company has no right to influence the investment policy and strategy.

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Present value of defined benefit obligation	\$ 349,257	\$ 355,637
Fair value of plan assets	<u>(326,224)</u>	<u>(312,301)</u>
Net defined benefit liabilities	<u>\$ 23,033</u>	<u>\$ 43,336</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 Liability</b>
Balance at January 1, 2019	\$ 364,248	\$ (286,237)	\$ 78,011
Service cost			
Current service cost	5,400	-	5,400
Net interest expense (income)	<u>3,642</u>	<u>(3,000)</u>	<u>642</u>
Recognized in profit or loss	<u>9,042</u>	<u>(3,000)</u>	<u>6,042</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,291)	(10,291)
Actuarial loss - changes in demographic assumptions	28	-	28
Actuarial loss - changes in financial assumptions	7,921	-	7,921
Actuarial loss - experience adjustments	<u>5,653</u>	<u>-</u>	<u>5,653</u>
Recognized in other comprehensive income	<u>13,602</u>	<u>(10,291)</u>	<u>3,311</u>
Contributions from the employer	-	(27,187)	(27,187)
Benefits paid	(14,414)	14,414	-
Company paid	<u>(16,841)</u>	<u>-</u>	<u>(16,841)</u>
Balance at December 31, 2019	<u>\$ 355,637</u>	<u>\$ (312,301)</u>	<u>\$ 43,336</u> (Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2020	\$ 355,637	\$ (312,301)	\$ 43,336
Service cost			
Current service cost	5,435	-	5,435
Net interest expense (income)	<u>2,667</u>	<u>(2,445)</u>	<u>222</u>
Recognized in profit or loss	<u>8,102</u>	<u>(2,445)</u>	<u>5,657</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(9,869)	(9,869)
Actuarial loss - changes in financial assumptions	7,478	-	7,478
Actuarial loss - experience adjustments	<u>3,460</u>	<u>-</u>	<u>3,460</u>
Recognized in other comprehensive income	<u>10,938</u>	<u>(9,869)</u>	<u>1,069</u>
Contributions from the employer	-	(27,029)	(27,029)
Benefits paid	<u>(25,420)</u>	<u>25,420</u>	<u>-</u>
Balance at December 31, 2020	<u>\$ 349,257</u>	<u>\$ (326,224)</u>	<u>\$ 23,033</u> (Concluded)

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

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Operating cost	\$ 2,899	\$ 2,495
Operating expenses	<u>2,758</u>	<u>3,547</u>
	<u>\$ 5,657</u>	<u>\$ 6,042</u>

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

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)	0.5%	0.75%
Expected rate(s) of salary increase	2%	2%
Turnover rate	3%-7.5%	3%-7.5%

If possible reasonable change in each of the significant actuarial assumptions occur and all other assumptions remain constant, the present value of the defined benefit obligation decreases (increases) as follows:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Discount rate(s)		
0.25% increase	<u>\$ (7,478)</u>	<u>\$ (7,921)</u>
0.25% decrease	<u>\$ 7,730</u>	<u>\$ 8,195</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 7,483</u>	<u>\$ 7,954</u>
0.25% decrease	<u>\$ (7,278)</u>	<u>\$ (7,730)</u>

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

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Expected contributions to the plan for the next year	<u>\$ 26,834</u>	<u>\$ 27,427</u>
Average duration of the defined benefit obligation	8.8 years	9.2 years

## 21. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The current/non-current classification of the Company's assets and liabilities relating to steel structure business was based on its operating cycle. The amount expected to be recovered or settled within one year after reporting period and more than one year after reporting period for related assets and liabilities are as follows:

<u>December 31, 2020</u>	<b>Within 1 Year</b>	<b>More Than 1 Year</b>	<b>Total</b>
Assets			
Notes receivable	\$ 126,203	\$ -	\$ 126,203
Trade receivables	635,261	-	635,261
Inventory	986,652	-	986,652
Contracts assets - current	<u>3,468,046</u>	<u>722,927</u>	<u>4,190,973</u>
	<u>\$ 5,216,162</u>	<u>\$ 722,927</u>	<u>\$ 5,939,089</u>

(Continued)

	<b>Within 1 Year</b>	<b>More Than 1 Year</b>	<b>Total</b>
<b>Liabilities</b>			
Notes payable	\$ 931	\$ -	\$ 931
Trade payables	907,412	212,977	1,120,389
Contracts liabilities - current	<u>298,877</u>	<u>24,878</u>	<u>323,755</u>
	<u>\$ 1,207,220</u>	<u>\$ 237,855</u>	<u>\$ 1,445,075</u>
 <u>December 31, 2019</u>			
<b>Assets</b>			
Notes receivable	\$ 52,443	\$ -	\$ 52,443
Trade receivables	318,631	-	318,631
Inventory	635,713	-	635,713
Contracts assets - current	<u>2,192,088</u>	<u>566,995</u>	<u>2,759,083</u>
	<u>\$ 3,198,875</u>	<u>\$ 566,995</u>	<u>\$ 3,765,870</u>
 <b>Liabilities</b>			
Notes payable	\$ 6,655	\$ -	\$ 6,655
Trade payables	763,468	179,249	942,717
Contracts liabilities - current	<u>241,181</u>	<u>56,327</u>	<u>297,508</u>
	<u>\$ 1,011,304</u>	<u>\$ 235,576</u>	<u>\$ 1,246,880</u>

(Concluded)

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Number of shares authorized (in thousands)	<u>440,000</u>	<u>440,000</u>
Shares authorized	<u>\$ 4,400,000</u>	<u>\$ 4,400,000</u>
Number of shares issued and fully paid (in thousands)	<u>399,426</u>	<u>399,426</u>
Shares issued	<u>\$ 3,994,260</u>	<u>\$ 3,994,260</u>

On July 31, 2019, the Company's board of directors resolved that the subsidiary Ming Yu Corporation return the 6,000 thousand shares held by the Company with a physical reduction of capital. The above mentioned proposal of the retirement of 6,000 thousand treasury shares was approved and declared effective by the MOEA on September 2, 2019.

b. Capital surplus

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital (1)</u>		
Treasury share transactions	\$ 333,208	\$ 301,607
Consolidation excess	51,956	51,956
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interests in subsidiaries (2)	8,510	-
Expired employee share options	2,775	2,775
Unclaimed dividends	<u>93</u>	<u>93</u>
	<u>\$ 396,542</u>	<u>\$ 356,431</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and to once a year).
- 2) Such capital surplus arises from the effects of changes in ownership interests in subsidiaries resulting from equity transactions other than actual disposals or acquisitions or from changes in capital surplus of subsidiaries accounted for using the equity method.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made 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 Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of compensation of employees and remuneration of directors and supervisors before and after amendment, refer to f. employee benefits expense in Note 24.

The Company's dividend policy is designed to meet present and future development projects and takes into consideration the investment environment, funding requirements, international or domestic competitive conditions while simultaneously meeting shareholders' interests. When there is no cumulative loss, the parent company shall distribute dividends at no less than 50% of the net profit. The way to distribute dividends could be either through cash or shares, and cash dividends shall not be less than 50% of the total dividends.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. 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.

The appropriations of earnings for 2019 and 2018 which were approved in the shareholders' meetings on June 18, 2020 and May 30, 2019, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Legal reserve	\$ 94,744	\$ 98,036		
Cash dividends	793,071	810,852	\$ 2	\$ 2

The appropriations of earnings for 2020, which were proposed by the Company's board of directors on March 10, 2021, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 104,266	
Cash dividends	872,378	\$ 2.2

The appropriation of earnings for 2020 is subject to resolution in the shareholders' meeting to be held on June 25, 2021.

d. Treasury shares

	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Held by Subsidiary - Ming Yu Investment Corporation (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2020	2,891	4,000	6,891
Additions	-	-	-
Less	<u>-</u>	<u>(1,501)</u>	<u>(1,501)</u>
Number of shares at December 31, 2020	<u>2,891</u>	<u>2,499</u>	<u>5,390</u>
Carrying amount at December 31, 2020	<u>\$ 49,938</u>	<u>\$ 43,175</u>	<u>\$ 93,113</u>
Number of shares at January 1, 2019	-	17,658	17,658
Additions	5,658	-	5,658
Less	<u>(2,767)</u>	<u>(13,658)</u>	<u>(16,425)</u>
Number of shares at December 31, 2019	<u>2,891</u>	<u>4,000</u>	<u>6,891</u>
Carrying amount at December 31, 2019	<u>\$ 49,938</u>	<u>\$ 69,107</u>	<u>\$ 119,045</u>

1) For the year ended December 31, 2020, the Company's shares were held by its subsidiary - Ming Yu Investment Corporation. Ming Yu Investment Corporation sold 1,501 thousand shares to third parties. For the year ended December 31, 2019, the Company's shares were held by its subsidiary - Ming Yu Investment Corporation. Ming Yu Investment Corporation reduced its capital by returning 6,000 thousand shares to the Company and selling 5,658 thousand shares and 2,000 thousand shares, respectively, to the Company and third parties. The above mentioned shares totaled 13,658 thousand.

- 2) For the year ended December 31, 2019, the Company repurchased 5,658 thousand shares. The purpose of the repurchase was to transfer the shares to employees from the subsidiary - Ming Yu Investment Corporation, and the employees actually executed 2,767 thousand shares. For the year ended December 31, 2019, the treasury shares transferred to employees was \$5,432 thousand and the capital surplus - treasury shares was \$37,722 thousand which is recognized after the implementation and deduction of related transaction costs.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote. The subsidiaries holding treasury shares, however, are bestowed shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Construction contract revenue	\$ 7,117,905	\$ 5,945,266
Revenue from containers repair	145,990	141,072
Revenue from the sale of goods	<u>-</u>	<u>23,065</u>
	<u>\$ 7,263,895</u>	<u>\$ 6,109,403</u>

### a. Contract balances

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract assets		
Properties construction	\$ 3,036,146	\$ 1,705,821
Retention receivable	1,192,876	1,078,211
Less: Allowance for impairment loss	<u>(38,049)</u>	<u>(24,949)</u>
Contract assets - current	<u>\$ 4,190,973</u>	<u>\$ 2,759,083</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Balance at January 1	\$ 24,949	\$ 48,807
Add: Net remeasurement of loss allowance (reversed)	<u>13,100</u>	<u>(23,858)</u>
Balance at December 31	<u>\$ 38,049</u>	<u>\$ 24,949</u>
	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Contract liabilities		
Properties construction	<u>\$ 323,755</u>	<u>\$ 297,508</u>



b. Partially completed contracts

The transaction prices, excluding any estimated amounts of variable consideration that are constrained, allocated to the performance obligations that are not fully satisfied and the expected timing for recognition of revenue are as follows.

	<b>December 31, 2020</b>
Property construction contracts	
In 2021	\$ 13,959,269
In 2022	1,634,948
From 2023 to after years	<u>311,433</u>
	<u>\$ 15,905,650</u>
Property construction contracts	
In 2020	\$ 7,592,530
In 2021	4,354,436
From 2022 to after years	<u>475,851</u>
	<u>\$ 12,422,817</u>

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

a. Other income

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Dividends	\$ 100,549	\$ 167,427
Rental income	8,452	13,435
Others (Note 29)	<u>16,301</u>	<u>31,420</u>
	<u>\$ 125,302</u>	<u>\$ 212,282</u>

b. Other gains and losses

	<b><u>For the Year Ended December 31</u></b>	
	<b>2020</b>	<b>2019</b>
Gain on disposal of long-term assets	\$ 1,173	\$ 1,267
Net foreign exchange gains	(89)	87
Impairment loss on investment properties	(3,417)	(23,678)
Others	<u>(5,696)</u>	<u>(1,496)</u>
	<u>\$ (8,029)</u>	<u>\$ (23,820)</u>

c. Finance costs

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on bank loans	\$ 11,742	\$ 3,626
Interest of commercial paper	7,180	2,435
Interest on lease liabilities	<u>225</u>	<u>341</u>
	<b><u>\$ 19,147</u></b>	<b><u>\$ 6,402</u></b>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant and equipment	\$ 128,480	\$ 98,749
Investment property	-	2,231
Right-of-use assets	9,132	11,891
Intangible assets	<u>4,310</u>	<u>6,379</u>
	<b><u>\$ 141,922</u></b>	<b><u>\$ 119,250</u></b>
 An analysis of deprecation by function		
Operating costs	\$ 132,138	\$ 96,177
Operating expenses	<u>5,474</u>	<u>16,694</u>
	<b><u>\$ 137,612</u></b>	<b><u>\$ 112,871</u></b>
 An analysis of amortization by function		
Operating costs	\$ 1,306	\$ 3,004
Operating expenses	<u>3,004</u>	<u>3,375</u>
	<b><u>\$ 4,310</u></b>	<b><u>\$ 6,379</u></b>

e. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Post-employment benefits		
Defined contribution plans	\$ 13,881	\$ 12,963
Defined benefit plans (Note 20)	5,657	6,042
Other employee benefits	<u>537,361</u>	<u>481,574</u>
Total employee benefits expense	<b><u>\$ 556,899</u></b>	<b><u>\$ 500,579</u></b>
 An analysis of employee benefits expense by function		
Operating costs	\$ 285,751	\$ 227,146
Operating expenses	<u>271,148</u>	<u>273,433</u>
	<b><u>\$ 556,899</u></b>	<b><u>\$ 500,579</u></b>

f. Compensation of employees and remuneration of directors and supervisors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors and supervisors at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors and supervisors. The compensation of employees and the remuneration of directors and supervisors for the years ended December 31, 2020 and 2019, which were approved by the Company's board of directors on March 10, 2021 and March 16, 2020, respectively, are as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Compensation of employees	0.50%	0.54%
Remuneration of directors and supervisors	0.44%	0.68%

Amount

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>Cash</b>	<b>Cash</b>
Compensation of employees	\$ 5,745	\$ 5,407
Remuneration of directors and supervisors	5,000	6,819

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

The Company held board of directors' meetings on March 16, 2020 and March 14, 2019, and those meetings resulted in the actual amounts of the remuneration of directors and supervisors paid for 2019 and 2018 to differ from the amounts recognized in the financial statements for the years ended December 31, 2019 and 2018, respectively. The differences were adjusted to profit and loss in the following year.

	<b>For the Year Ended December 31</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Compensation of Employees</b>	<b>Remuneration of Directors and Supervisors</b>	<b>Compensation of Employees</b>	<b>Remuneration of Directors and Supervisors</b>
Amounts approved in the board of directors' meeting	<u>\$ 5,407</u>	<u>\$ 6,819</u>	<u>\$ 5,659</u>	<u>\$ 7,000</u>
Amounts recognized in the annual financial statements	<u>\$ 5,407</u>	<u>\$ 7,000</u>	<u>\$ 5,659</u>	<u>\$ 7,000</u>

Information on the compensation of employees and remuneration of directors and supervisors resolved by the Company's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

## 25. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of tax expense recognized in profit or loss are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Current tax		
In respect of the current year	\$ 87,586	\$ 41,842
Income tax on additional tax of unappropriated earnings	2,507	-
Adjustments for prior years	<u>-</u>	<u>127</u>
	90,093	41,969
Deferred tax		
In respect of the current year	<u>2,602</u>	<u>(3,920)</u>
Income tax expense recognized in profit or loss	<u>\$ 92,695</u>	<u>\$ 38,049</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit before tax	<u>\$ 1,136,344</u>	<u>\$ 985,486</u>
Income tax expense calculated at the statutory rate	\$ 227,269	\$ 197,097
Non deductible expenses in determining taxable income	695	6,220
Tax-exempt income	(139,053)	(153,120)
Income tax on additional tax of unappropriated earnings	2,507	-
Unrecognized deductible temporary differences	1,277	(12,275)
Adjustments for prior years' tax	<u>-</u>	<u>127</u>
Income tax expense recognized in profit or loss	<u>\$ 92,695</u>	<u>\$ 38,049</u>

In July 2019, the president of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. When calculating the tax on unappropriated earnings, the Company only deducts the amount of the unappropriated earnings that has been reinvested in capital expenditure.

b. Deferred tax assets and liabilities

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

For the year ended December 31, 2020

	<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	\$ 4,102	\$ (4,275)	\$ 214	\$ 41
Payable for annual leave	4,906	726	-	5,632
Unrealized exchange loss	-	24	-	24
Provision for warranties	<u>11,223</u>	<u>922</u>	<u>-</u>	<u>12,145</u>
	<u>\$ 20,231</u>	<u>\$ (2,603)</u>	<u>\$ 214</u>	<u>\$ 17,842</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995
Unrealized exchange gain	<u>1</u>	<u>(1)</u>	<u>-</u>	<u>-</u>
	<u>\$ 65,996</u>	<u>\$ (1)</u>	<u>\$ -</u>	<u>\$ 65,995</u>

For the year ended December 31, 2019

	<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	\$ 11,037	\$ (7,598)	\$ 663	\$ 4,102
Payable for annual leave	4,610	296	-	4,906
Provision for warranties	<u>-</u>	<u>11,223</u>	<u>-</u>	<u>11,223</u>
	<u>\$ 15,647</u>	<u>\$ 3,921</u>	<u>\$ 663</u>	<u>\$ 20,231</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995
Unrealized exchange gain	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>\$ 65,995</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 65,996</u>

- c. Deductible temporary differences for which no deferred tax assets have been recognized in the balance sheets

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Deductible temporary differences		
Bad debts in excess of the limit	\$ 491,487	\$ 486,040
Impairment loss on financial assets	145,079	145,079
Loss on market price decline	20,114	17,119
Unrealized gain on the transactions with subsidiaries	<u>1,739</u>	<u>3,797</u>
	<u>\$ 658,419</u>	<u>\$ 652,035</u>

- d. Income tax assessments

The income tax of the Company through 2018, except 2019, have been assessed by the tax authorities.

## 26. EARNINGS PER SHARE

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

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Profit for the year	<u>\$ 1,043,649</u>	<u>\$ 947,437</u>

Shares

**Unit: In Thousand Shares**

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	394,011	388,400
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>159</u>	<u>202</u>
Weighted average number of ordinary shares outstanding in the computation of diluted earnings per share	<u>394,170</u>	<u>388,602</u>

The Company may settle the compensation paid to employees in cash or shares; therefore, the Company assumes that the entire amount of the compensation will be settled in shares, and the resulting potential shares are 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 Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged.

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

The Company is not subject to any externally imposed capital requirements.

## 28. FINANCIAL INSTRUMENTS

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

Management believes that the carrying amounts of financial assets and financial liabilities recognized in the financial statements approximate their fair values.

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

#### 1) Fair value hierarchy

##### Fair value hierarchy as of December 31, 2020

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 5,298,293	\$ -	\$ -	\$ 5,298,293
Unlisted shares - ROC	-	-	881,433	881,433
Unlisted shares in other country	-	-	149,199	149,199
	<u>\$ 5,298,293</u>	<u>\$ -</u>	<u>\$ 1,030,632</u>	<u>\$ 6,328,925</u>

##### Fair value hierarchy as of December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 4,479,292	\$ -	\$ -	\$ 4,479,292
Unlisted shares - ROC	-	-	840,467	840,467
Unlisted shares in other country	-	-	147,559	147,559
	<u>\$ 4,479,292</u>	<u>\$ -</u>	<u>\$ 988,026</u>	<u>\$ 5,467,318</u>

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

- 2) Reconciliation of Level 3 fair value measurements of financial instruments: None
  - 3) Valuation techniques and inputs applied for Level 2 fair value measurement: None
  - 4) Valuation techniques and inputs applied for Level 3 fair value measurement: The fair values of unlisted equity securities - ROC were determined using market approach. The market approach is used to arrive at their par values for which the recent financing activities of investees, the market transaction prices of the similar companies and market conditions are considered.
- c. Categories of financial instruments

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 1,475,523	\$ 525,901
Financial assets at FVTOCI		
Equity instruments	6,328,925	5,467,318
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (2)	4,659,473	1,999,602

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade and other receivables, financial assets at amortized cost and refundable deposits.
  - 2) The balances included financial liabilities measured at amortized cost, which comprise notes payable and trade payables, other payables, guarantee deposits received, short-term borrowings, short-term bills payable, current portion of long-term borrowings and long-term borrowings.
- d. Financial risk management objectives and policies

The Company's major financial instruments include equity investments, trade receivable, trade payables, borrowings and lease liabilities. The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk

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

There had been no change to the Company's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Company had foreign currency sales and purchases, which exposed the Company to foreign currency risk. The foreign currency fluctuation affects the financial instruments market value due to the Company's policy of hedges in pre-purchase of foreign forward exchanges.



The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the year are set out in Note 32.

Sensitivity analysis

The Company was mainly exposed to the Currency USD and Currency RMB.

The Company analyzes its sensitivity's increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies. A sensitivity rate of 5% is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis included only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 5% change in foreign currency rates.

b) Interest rate risk

The Company was exposed to interest rate risk because entities in the Company borrowed funds at both fixed and floating interest rates.

The carrying amount of the Company's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Fair value interest rate risk		
Financial liabilities	\$ 2,789,171	\$ 599,869
Cash flow interest rate risk		
Financial assets	571,875	71,492
Financial liabilities	300,000	150,000

Sensitivity analysis

The sensitivity analyses below were determined based on the Company's exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2020 and 2019 would have increased/decreased by \$1,359 thousand and \$(393) thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings, time deposits and demand deposits.

c) Other price risk

The Company was exposed to equity price risk through its investments in listed equity securities. The Company's equity price risk was mainly concentrated on equity instruments operating in Taiwan industry sector quoted in the Taiwan Stock Exchange.

### Sensitivity analysis

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

If equity prices had been 15% higher/lower, pre-tax profit for years ended December 31, 2020 and 2019 would have increased/decreased by \$949,339 thousand and \$820,098 thousand, respectively, as a result of the changes in fair value of financial assets as FVTOCI.

The Company's sensitivity to equity prices increased due to the impact of equity price fluctuations.

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. At the end of the reporting period, the Company's maximum exposure to credit risk which may cause a financial loss to the Company due to failure of counterparties to discharge an obligation and financial guarantees provided by the Company could arise from the carrying amount of the respective recognized financial assets as stated in the balance sheets.

In order to minimize credit risk, management of the Company is 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 Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, management believes the Company's credit risk was significantly reduced.

The Company's concentration of credit risk of 45% and 42% of total trade receivables as of December 31, 2020 and 2019, respectively, was related to the Company's five largest customers. The credit concentration risk of the remaining trade receivables is relatively insignificant.

#### 3) Liquidity risk

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

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2020 and 2019, the Company had available unutilized bank loan facilities set out in (b) below.

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

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

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

December 31, 2020

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,357,256	\$ 212,977	\$ -
Lease liabilities	8,756	9,738	-
Variable interest rate liabilities	301,390	-	-
Fixed interest rate liabilities	<u>2,489,719</u>	<u>308,147</u>	<u>-</u>
	<u>\$ 4,157,121</u>	<u>\$ 530,862</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 8,908</u>	<u>\$ 9,835</u>	<u>\$ -</u>	<u>\$ 18,743</u>

December 31, 2019

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,070,461	\$ 179,249	\$ -
Lease liabilities	9,307	16,075	-
Variable interest rate liabilities	147	150,000	-
Fixed interest rate liabilities	<u>600,432</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,680,347</u>	<u>\$ 345,324</u>	<u>\$ -</u>

Additional information about the maturity analysis for lease liabilities:

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>	<b>Total</b>
Lease liabilities	<u>\$ 9,309</u>	<u>\$ 16,491</u>	<u>\$ -</u>	<u>\$ 25,800</u>

b) Financing facilities

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
Unsecured bank overdraft facility		
Amount used	\$ 2,510,000	\$ 600,000
Amount unused	<u>3,985,000</u>	<u>5,945,000</u>
	<u>\$ 6,495,000</u>	<u>\$ 6,545,000</u>
Secured bank overdraft facility		
Amount used	\$ 580,000	\$ 150,000
Amount unused	<u>800,000</u>	<u>1,230,000</u>
	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>

## 29. TRANSACTIONS WITH RELATED PARTIES

The Company's major shareholder was Evergreen International Corporation, which held both 22.81% of ordinary shares of the Company as of December 31, 2020 and 2019.

In addition to information disclosed elsewhere in the other notes, details of transactions between the Company and other related parties are disclosed below.

a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
Evergreen International Corporation	Investors that have significant influence over the Company
Evergreen Security Corporation	Related party in substance
Ever Accord Construction Corporation	Related party in substance
EVA Airways Corporation	Related party in substance
Evergreen Logistics Corporation	Related party in substance
Evergreen Marine Corporation	Related party in substance
Hsin Yung Enterprise Corporation	Subsidiary
Ever Ecove Corporation	Subsidiary
Ming Yu Investment Corporation	Subsidiary
Super Max Engineering Enterprise Co., Ltd.	Subsidiary

b. Sales of goods

<u>Line Item</u>	<u>Related Party</u>	<u>For the Year Ended December 31</u>	
		<u>2020</u>	<u>2019</u>
Sales of goods	Investors that have significant influence over the Company	\$ -	\$ 131,864
	Related party in substance	<u>507,493</u>	<u>145,190</u>
		<u>\$ 507,493</u>	<u>\$ 277,054</u>

The sales condition for related party in substance were not significantly different from those sales made to the Company's usual list prices. There was no comparable sales price between investors that have significant influence over the Company and related party in substance for repairing containers. Payments are collected within 60 days after issuing invoices.

c. Miscellaneous income

<b>Related Party</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	<u>\$ 3,008</u>	<u>\$ 3,038</u>

d. Purchases of goods and expenses

<b>Related Party</b>	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Investors that have significant influence over the Company	\$ 9,886	\$ 10,125
Substances	15	36
Related party in substance	<u>15,832</u>	<u>14,964</u>
	<u>\$ 25,733</u>	<u>\$ 25,125</u>

The purchases to related parties had no significant differences with other non-related parties.

e. Construction receivables (contract assets)

<b>Related Party</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance	<u>\$ 56,697</u>	<u>\$ 53,972</u>

For the years ended December 31, 2020 and 2019, impairment loss of \$2,652 thousand and \$894 thousand, respectively, was recognized for contract assets from related parties.

f. Contract liabilities

<b>Related Party</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Related party in substance	<u>\$ -</u>	<u>\$ 10,676</u>

g. Receivables from related parties (excluding loans to related parties and contract assets)

Trade receivables

<b>Related Party</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investors that have significant influence over the Company	\$ -	\$ 23,223
Related party in substance	<u>151,094</u>	<u>677</u>
	<u>\$ 151,094</u>	<u>\$ 23,900</u>

Other receivables

<b>Related Party</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Subsidiaries	\$ <u>126</u>	\$ <u>132</u>

The outstanding trade receivables from related parties are unsecured.

h. Payables to related parties

Other payables

<b>Related Party</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Investors that have significant influence over the Company	\$ 1,733	\$ 1,706
Related party in substance	1,257	1,439
Subsidiaries	<u>15</u>	<u>3</u>
	\$ <u>3,005</u>	\$ <u>3,148</u>

The outstanding trade payables from related parties are unsecured.

i. Lease arrangements

<b>Line Item</b>	<b>Related Party/Name</b>	<b>December 31</b>	
		<b>2020</b>	<b>2019</b>
Acquisition of right-of-use assets	Investors that have significant influence over the Company - Evergreen International Corporation	\$ <u>1,004</u>	\$ <u>2,007</u>
Lease liabilities	Investors that have significant influence over the Company - Evergreen International Corporation	\$ <u>1,015</u>	\$ <u>2,018</u>

The Company rents other equipment from Evergreen International Corporation for \$85 thousand per months and the lease term is from January 2019 to December 2021.

The Company rents office spaces from Evergreen International Corporation for \$386 thousand per month and the lease term is from January 2019 to December 2021. The Company terminated the agreement in advance on December 31, 2019.

j. Disposal of financial assets

Financial assets at fair through other comprehensive income

For the year ended December 31, 2020: None.

For the year ended December 31, 2019:

<b>Related Party/Name</b>	<b>Number of Shares (In Thousand Shares)</b>	<b>Underlying Assets</b>	<b>Proceeds</b>
Related party in substance - EVA Airways Corporation	4,650	Shareholdings of UNI Airways Corporation	\$ 67,686
Related party in substance - Evergreen Logistics Corporation	200	Shareholdings of UNI Airways Corporation	<u>2,911</u>
			<u>\$ 70,597</u>

k. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 21,548	\$ 21,958
Post-employment benefits	<u>1,704</u>	<u>6,526</u>
	<u>\$ 23,252</u>	<u>\$ 28,484</u>

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

The following assets were provided as collateral for bank borrowings, letters of credit issuance, projects performance and performance guarantees, etc.:

	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
Property, plant, and equipment, net	\$ 1,995,432	\$ 1,960,283
Financial assets at amortized cost	<u>3,600</u>	<u>3,600</u>
	<u>\$ 1,999,032</u>	<u>\$ 1,963,883</u>

### 31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Company as of December 31, 2020 and 2019 were as follows:

a. As of December 31, 2020 and 2019, unused letters of credit for purchasing of materials are as follows:

<b>Currency</b>	<b>December 31</b>	
	<b>2020</b>	<b>2019</b>
USD	\$ 984	\$ 1,271
NTD	472,963	771,868

- b. As of December 31, 2020, except for the refundable deposits, the guarantee bonds for constructions secured by bank are as follows:

Currency	December 31	
	2020	2019
USD	\$ 1,191	\$ -
NTD	338,599	657,786

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

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

December 31, 2020

**Unit: In Thousands of Foreign Currencies/New Taiwan Dollars**

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 2,939	4.377 (RMB:NTD)	\$ 12,866
<u>Financial liabilities</u>			
Monetary items			
RMB	1,094	4.377 (RMB:NTD)	4,789

December 31, 2019

**Unit: In Thousands of Foreign Currencies/New Taiwan Dollars**

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 3,356	4.305 (RMB:NTD)	\$ 14,448
<u>Financial liabilities</u>			
Monetary items			
RMB	422	4.305 (RMB:NTD)	1,818



### 33. SEPARATELY DISCLOSED ITEMS

a. Information on significant transactions and information on investees:

- 1) Financing provided: None.
- 2) Endorsements/guarantees provided: See Table 1 below.
- 3) Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): See Table 2 below.
- 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 properties at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- 6) Disposal of individual real estate properties 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: See Table 3 below.
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: See Table 4 below.
- 9) Trading in derivative instruments: None.
- 10) Information on investees: See Table 5 below.

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 6 below.
- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
  - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purpose.

- e) The highest balance, the ending balance, the interest rate range, and total current period interest with respect to financing of funds.
  - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.
- c. Information on 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: See Table 7 attached.

### **34. OTHERS**

Since January 2020, due to the spread of COVID-19, governments of countries have successively implemented various epidemic prevention plans. However, the domestic epidemic has slowed down and government policies have been loosened. Therefore, the Group's assessment has little impact on the overall operations, but the international epidemic is still uncertain. The Group will continue to pay attention to the development of the epidemic and take relevant countermeasures to alleviate the impact on the Group's operations.

## EVERGREEN STEEL CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guaranteed Amount Provided To Each Guarantee Party	Maximum Amount Endorsed/ Guaranteed During the Period	Ending Balance	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Evergreen Steel Corporation	Ever Ecove Corporation	Subsidiary	\$ 7,000,908	\$ 3,087,000	\$ 3,087,000	\$ 3,087,000	\$ -	22.05	\$ 7,000,908	Y	-	-	Note 3
1	Ming Yu Investment Corporation	Evergreen Steel Corporation	Directly and indirectly holds more than 50 percent of the voting shares	8,082,160	3,499,556	1,201,220	1,201,220	-	297.25	8,082,160	-	Y	-	Note 2

Note 1: The Company and its subsidiaries are numbered as follows:

- a. "0" for the Company.
- b. Subsidiaries are numbered from "1".

Note 2: According to endorsement or guarantee provided regulation formulated by subsidiaries, the total amount of endorsement or guarantee that the Company is allowed to provide is up to 2,000% of the net worth value of the latest financial statements of the Company.

Note 3: The limit on endorsements or guarantees provided to each guaranteed party is up to 50% of the net worth value of the latest financial statements of the Company. However, the amount of the Company's endorsements or guarantees for subsidiaries holding more than 50% of the shares is not limited by the above ratio, but the maximum shall not exceed 50% of the net value of the most recent financial statements of the Company.

Note 4: The limit on endorsements or guarantees provided to each guaranteed party is up to 50% of the net worth value of the latest financial statements of the Company. However, the amount of endorsements or guarantees for subsidiaries is not limited by the above ratio, but the maximum shall not exceed 200% of the net value of the most recent financial statements of the Company.

## EVERGREEN STEEL CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2020

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

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Evergreen Steel Corporation	<u>Ordinary shares</u> EVA Airways Corporation	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	240,604	\$ 3,163,939	4.96	\$ 3,163,939	Note
	Shin Kong Financial Holding Co., Ltd. Evergreen Marine Corporation	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	7,934 38,262	69,903 1,557,251	0.06 0.79	69,903 1,557,251	
	Taiwan High Speed Rail Corporation Taiwan Terminal Services Corporation.	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	16,000 100	507,200 818	0.28 1.00	507,200 818	
	Taiwan Aerospace Corp. Pacific Resources Corporation.	- -	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	5,503 2,625	61,534 -	4.06 2.56	61,534 -	
	Taiwan Incubator SME Development Co EVERGREEN HEAVY INDUSTRIAL	- -	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	7,689 6,679	62,142 149,199	10.90 13.39	62,142 149,199	
	Dongwei Transportation Co., Ltd. Ever Accord Construction Corporation	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	660 7,500	6,641 49,066	18.86 12.50	6,641 49,066	
	UNI Airways Corporation	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	56,475	701,091	14.99	701,091	
	Evergreen Security Corp	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	10	141	0.05	141	

Note: The carrying amount of financial instruments were assessed for impairment.

**EVERGREEN STEEL CORPORATION**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Purchaser/Seller	Related Party	Relationship	Transaction Details				Differences in Transaction Terms Compared to Third Party Transactions		Notes/Accounts (Payable) or Receivable		Note
			Purchase/Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Evergreen Steel Corporation	Evergreen Marine Corporation	Related party in substance	Sale	\$ 137,404	1.89	15-45 days	Note 1	15-45 days	\$ 26,488	1.10	Note 1
	Ever Accord Construction Corporation	Related party in substance	Sale	370,089	5.09	30-60 days	No significant difference	30-60 days	183,955	7.61	Note 2

Note 1: No similar prices on revenue from containers repair to compare with related party in substance.

Note 2: The trade receivables include contract assets.

**EVERGREEN STEEL CORPORATION**

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
Evergreen Steel Corporation	Ever Accord Construction Corporation	Related party in substance	\$ 183,955	5.91	\$ -	-	\$ 124,606	\$ 2,652

## EVERGREEN STEEL CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ACCOUNTED FOR  
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2020			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2020	December 31, 2019	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Evergreen Steel Corporation	Super Max Engineering Enterprise Co., Ltd.	Taiwan	Waste collection, treatment and disposal	\$ 594,440	\$ 594,436	16,098	48.13	\$ 825,841	\$ 289,654	\$ 139,410	Subsidiary (Note 2)
	Hsin Yung Enterprise Corporation	Taiwan	Waste treatment, disposal and cogeneration	992,666	992,666	99,267	68.46	1,753,091	677,622	463,898	Subsidiary
	Ming Yu Investment Co., Ltd.	Taiwan	Investment activities	239,487	239,487	10,350	100.00	289,005	5,746	748	Subsidiary
	Ever Ecove Corporation	Taiwan	Waste treatment, disposal and cogeneration	801,000	700,000	80,100	50.06	780,765	(12,698)	(9,341)	Subsidiary (Note 3)
Super Max Engineering Enterprise Co., Ltd.	Kun Lin Engineering Co., Ltd.	Taiwan	Planning of wastewater, air and noise prevention; design, construction, sale, operation and maintenance of related equipment	18,000	18,000	5,000	50.00	150,800	50,198	N/A	Accounted for using the equity method

Note 1: Refer to Table 6 for information on investments in mainland China.

Note 2: The original investment amount was \$594,436 thousand, and the Company's reinvestment amount is \$4 thousand in the current year; therefore, the original investment amount at the end of the year is \$594,440 thousand.

Note 3: The original investment amount was \$700,000 thousand, and the Company's reinvestment amount is \$101,000 thousand in the current year; therefore, the original investment amount at the end of the year is \$801,000 thousand.

## EVERGREEN STEEL CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2020	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2020	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits (Losses)	Carrying Amount as of December 31, 2020	Accumulated Inward Remittance of Earnings as of December 31, 2020	Note
					Outflow	Inflow							
Kun Shan	Design, manufacture and installation of waste water, waste gas equipment and various piping	\$ 11,392 (US\$ 400)	Note 1	\$ 11,392 (US\$ 400)	\$ -	\$ -	\$ 11,392 (US\$ 400)	\$ 4,007 (RMB 936)	24.07	\$ 964	\$ 12,866	\$ 36,483 (US\$ 1,281)	Note 4

Accumulated Investments in Mainland China as of December 31, 2020	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 11,392 (US\$ 400)	\$ 11,392 (US\$ 400) (Note 3)	\$ 8,437,572 (Note 4)

Note 1: Indirect investment in mainland China through holding companies.

Note 2: The amount was recognized based on the audited financial statements.

Note 3: Investments approved by the Ministry of Economic Affairs, ROC are as follows:

Name of Investee	Date	Order No.	Approved Amounts
Kun Shan	2007.6.15	09600201610	US\$ 200
Kun Shan	2008.1.25	09700027430	US\$ 100
Kun Shan	2008.7.22	09700252240	US\$ 100
			<u>US\$ 400</u>

Note 4: The company's upper limit on investments to China (calculated based on the higher of 60% of Evergreen Steel Corporation's net worth or net worth of \$80 million, plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: \$14,001,815 (net worth) × 60% + \$36,483 = \$8,437,572.



**TABLE 7****EVERGREEN STEEL CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS  
DECEMBER 31, 2020**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Evergreen International Corporation	91,101,257	22.81
EVA Airways Corporation	38,201,625	9.56
Continental Engineering Corp.	25,645,907	6.42
Chang, Kuo-Hua	25,008,820	6.26
Chang, Kuo-Ming	25,008,820	6.26
Chang, Kuo-Cheng	25,008,820	6.26
Chang Yung-Fa Foundation	25,008,820	6.26

# EVERGREEN STEEL CORPORATION

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

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**EVERGREEN STEEL CORPORATION**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2020**

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

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<b>Item</b>	<b>Remark</b>	<b>Amount</b>
Cash on hand		\$ 2,815
Cash in banks		
Checking accounts and demand deposits	Note	95,098
Time deposits		<u>566,000</u>
		<u>\$ 663,913</u>

Note: Includes US\$7 thousand at \$28.48.

**EVERGREEN STEEL CORPORATION****STATEMENT OF TRADE RECEIVABLE****DECEMBER 31, 2020****(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>
Client A	\$ 329,103
Client B	223,346
Client C	214,817
Client D	183,955
Client E	161,068
Client F	144,498
Client G	129,567
Others (Note 1)	<u>903,992</u>
	2,290,346
Less: Allowance for doubtful accounts	<u>(38,226)</u>
	<u>\$ 2,252,120</u>

Note 1: The amount of individual client included in others does not exceed 5% of the account balance.

Note 2: The amount including contract assets.

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Amount</b>	
	<b>Cost</b>	<b>Net Realizable Value</b>
Raw materials	\$ 991,880	\$ 979,728
Supplies	9,057	1,096
Inventory in transit	<u>7,203</u>	<u>7,203</u>
	<u>\$ 1,008,140</u>	<u>\$ 988,027</u>

## EVERGREEN STEEL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2020		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Balance at December 31, 2020		Collateral
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	
EVA Airways Corporation	240,604	\$ 3,308,302	-	\$ -	-	\$ (144,363)	240,604	\$ 3,163,939	N/A
Shin Kong Financial Holding Co., Ltd.	7,937	82,145	197	1,543	(200)	(13,785)	7,934	69,903	N/A
Evergreen Marine Corporation	38,262	474,445	-	1,082,806	-	-	38,262	1,557,251	N/A
Taiwan High Speed Rail Corporation	16,000	614,400	-	-	-	(107,200)	16,000	507,200	N/A
Taiwan Terminal Services Corporation.	100	793	-	25	-	-	100	818	N/A
Taiwan Aerospace Corp.	5,503	64,669	-	-	-	(3,135)	5,503	61,534	N/A
Pacific Resources Corporation.	2,625	-	-	-	-	-	2,625	-	N/A
Taiwan Incubator SME Development Co.	7,689	61,439	-	703	-	-	7,689	62,142	N/A
Evergreen Heavy Industrial Corp.	6,679	147,559	-	1,640	-	-	6,679	149,199	N/A
Dongwei Transportation Co., Ltd.	660	6,558	-	83	-	-	660	6,641	N/A
Ever Accord Construction Corporation	7,500	63,077	-	-	-	(14,011)	7,500	49,066	N/A
UNI Airways Corporation	54,830	643,787	1,645	57,304	-	-	56,475	701,091	N/A
Evergreen Security Corp.	10	144	-	-	-	(3)	10	141	N/A
		<u>\$ 5,467,318</u>		<u>\$ 1,144,104</u>		<u>\$ (282,497)</u>		<u>\$ 6,328,925</u>	

Note 1: The increase in investment based on issued share dividends was 1,645 thousand; purchase of financial assets at FVTOCI was 197 thousand shares which amounted to \$1,543 thousand; and unrealized (loss) gain on financial assets at FVTOCI was \$1,142,561 thousand.

Note 2: The decrease in investment from disposal of financial assets at FVTOCI was 200 thousand shares which amounted to \$2,180 thousand; and unrealized (loss) gain on financial assets at FVTOCI was \$280,317 thousand.

## EVERGREEN STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2020		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance at December 31, 2020			Market Value or Net Assets Value	Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	%	Amount		
Super Max Engineering Enterprise Co., Ltd. (Note 1)	10,732	\$ 728,987	5,366	\$ 371	-	\$ (42,927)	\$ 139,410	16,098	48.13	\$ 825,841	\$ 825,841	N/A
Hsin Yung Enterprise Corporation (Note 2)	99,267	1,643,400	-	142,126	-	(496,333)	463,898	99,267	68.46	1,753,091	2,445,707	N/A
Ming Yu Investment Co., Ltd. (Note 3)	10,350	237,704	-	57,533	-	(6,980)	748	10,350	100.00	289,005	332,180	N/A
Ever Ecove Corporation (Note 4)	70,000	<u>680,599</u>	10,100	<u>109,510</u>	-	<u>(3)</u>	<u>(9,341)</u>	80,100	50.06	<u>780,765</u>	<u>780,765</u>	N/A
		<u>\$ 3,290,690</u>		<u>\$ 309,540</u>		<u>\$ (546,243)</u>	<u>\$ 594,715</u>	-		<u>\$ 3,648,702</u>	<u>\$ 4,384,493</u>	

Note 1: The increase in investment based on the proportion of net defined benefits was \$93 thousand; the difference of effects of foreign currency exchange was \$274 thousand; and investment based on shares of subsidiary capital increase was \$4 thousand. The decrease in investment was based on issued cash dividends.

Note 2: The increase in the transactions with subsidiaries that was realized was \$2,058 thousand; investment based on the proportion of unrealized (losses) gains on financial assets at FVTOCI was \$139,761 thousand; and investment based on the proportion of net defined benefits was \$307 thousand. The decrease in investment based on issued cash dividends was \$496,333 thousand.

Note 3: The increase in invested company due to the sale of treasury shares was \$52,535 thousand (reversal accounted for using equity method); and cash dividends from the parent company was \$4,998 thousand. The decrease in investment was based on the proportion of unrealized (loss) gain on financial assets at FVTOCI.

Note 4: The increase in investment based on shares of subsidiary capital increase was \$101,000 thousand; and investment based on the not proportion of shares of subsidiary capital increase was \$8,510 thousand. The decrease in investment based on the proportion of net defined benefit was \$3 thousand.

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2020**

**(In Thousands of New Taiwan Dollars)**

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<b>Client Name</b>	<b>Amount</b>	<b>Note</b>
Client A	\$ 221,019	
Client B	60,028	
Others	<u>851,136</u>	Note
	<u>\$ 1,132,183</u>	

Note: The amount of individual client included in others does not exceed 5% of the account balance.



**EVERGREEN STEEL CORPORATION**

**STATEMENT OF NET REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Tonnage</b>	<b>Amount</b>
Construction contract revenue	142,425	\$ 7,117,905
Revenue from containers repairment	-	149,452
Less: Sales return		<u>(3,462)</u>
		<u>\$ 7,263,895</u>

**EVERGREEN STEEL CORPORATION**
**STATEMENT OF OPERATING COST  
 FOR THE YEAR ENDED DECEMBER 31, 2020  
 (In Thousands of New Taiwan Dollars)**


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Item	Amount
Inventory balance at the beginning of the year	\$ 6,010
Add: Purchases, net	13,827
Less: Inventory balance at the end of the year	(3,404)
Others	(4,816)
Materials consumed	11,617
Direct labor	47,450
Manufacturing expenses	58,495
Manufacturing cost	117,562
Other cost of goods sold	
Add: Sales of material	135
Loss on disposal of inventories	1,816
Less: Inventory reversals	(956)
Sales scraps	(347)
Cost of goods sold for manufacturing sector	118,210
Contraction balance at the beginning of the year	3,089,251
Add: Material consumed	3,544,406
Others	3,052,289
Less: Construction balance at the end of the year	(3,208,295)
Others	(91,683)
Construction loss transferred to cost of goods	(7,347)
Other cost of goods sold	
Add: Sales of material	535
Loss on disposal of inventories	4,762
Less: Sales scraps	(41,445)
Cost of goods sold for construction sector	6,342,473
	<u>\$ 6,460,683</u>

**EVERGREEN STEEL CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2020  
(In Thousands of New Taiwan Dollars)**

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<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total</b>
Payroll and related expenses	\$ 164,420	\$ 65,229	\$ 229,649
Insurance expenses	22,662	4,694	27,356
Professional fees	503	8,760	9,263
Others (not exceeding 5%)	<u>43,083</u>	<u>41,596</u>	<u>84,679</u>
	<u>\$ 230,668</u>	<u>\$ 120,279</u>	<u>\$ 350,947</u>

## EVERGREEN STEEL CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019  
(In Thousands of New Taiwan Dollars)

	2020			2019		
	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total	Classified as Cost of Goods Sold	Classified as Operating Expenses	Total
Labor cost						
Salary	\$ 233,599	\$ 221,682	\$ 455,281	\$ 189,994	\$ 223,791	\$ 413,785
Labor and health insurance	21,096	16,425	37,521	16,263	17,943	34,206
Pension	9,684	9,854	19,538	8,334	10,671	19,005
Board compensation	-	12,967	12,967	-	10,673	10,673
Others	<u>21,372</u>	<u>10,220</u>	<u>31,592</u>	<u>12,555</u>	<u>10,355</u>	<u>22,910</u>
	<u>\$ 285,751</u>	<u>\$ 271,148</u>	<u>\$ 556,899</u>	<u>\$ 227,146</u>	<u>\$ 273,433</u>	<u>\$ 500,579</u>
Depreciation	<u>\$ 132,138</u>	<u>\$ 5,474</u>	<u>\$ 137,612</u>	<u>\$ 96,177</u>	<u>\$ 16,694</u>	<u>\$ 112,871</u>
Amortization	<u>\$ 1,306</u>	<u>\$ 3,004</u>	<u>\$ 4,310</u>	<u>\$ 3,004</u>	<u>\$ 3,375</u>	<u>\$ 6,379</u>

Note:

1. As of December 31, 2020 and 2019, the Company had 570 and 532 employees, respectively. Among them 7 directors did not serve concurrently as employees for both years.
2.
  - a. For the years ended December 31, 2020 and 2019, the average labor cost was \$966 thousand and \$933 thousand, respectively.
  - b. For the years ended December 31, 2020 and 2019, the average salary was \$809 thousand and \$788 thousand, respectively.
  - c. The change in average salary was 2.7%.
  - d. The Company had set an independent director, so it did not have supervisors for the years ended December 31, 2020 and 2019.
  - e. The Company's Articles of Incorporation stipulate that the distribution of compensation of employees and remuneration of directors and supervisors shall be at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, compensation of employees and remuneration of directors and supervisors.