

Evergreen Steel Corporation

**Financial Statements for the
Years Ended December 31, 2022 and 2021 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, 2022 and 2021, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the related 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, 2022 and 2021, 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 the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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, 2022. 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, 2022 are described as follows:

Contract Revenue Recognition

The Company's contract revenue mainly comes from providing steel structure engineering contracting business; during the contract period, the project revenue is recognized based on the degree of completion. Contract revenue recognition from construction depends on the degree of completion of the contract 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 contract revenue recognition with risk characteristics as a key audit matter.

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

1. We obtained an understanding of the design and implementation of the Company's contract revenue evaluation method and control system by performing control tests.
2. We selected samples of the contract revenue with risk characteristics in the current year which are subject to detailed tests including checking the price accepted by the customers with construction contracts, assessing the adequacy of the contract cost estimation, recalculating the degree of completion, and verifying the correctness of the contract revenue recognition.
3. We performed an analytical review of contract revenue and performed a retrospective review of construction costs.

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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the 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, 2022 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-Hsia Chang and Yung-Hsiang Chao.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 10, 2023

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, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

ASSETS	2022		2021	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 774,052	3	\$ 739,752	3
Financial assets at amortized cost - current (Notes 4, 8 and 30)	569,600	2	3,600	-
Contract assets - current (Notes 4, 21, 23 and 29)	2,995,342	12	3,272,392	12
Notes receivable, net (Notes 4 and 21)	97,624	1	38,159	-
Trade receivables, net (Notes 4, 9 and 21)	986,739	4	1,540,748	5
Trade receivables from related parties, net (Notes 4, 9, 21 and 29)	31,111	-	32,275	-
Other receivables (Note 29)	27,487	-	21,796	-
Inventories (Notes 4, 10 and 21)	3,075,372	12	3,143,166	11
Other current assets (Note 15)	32,339	-	56,829	-
Total current assets	<u>8,589,666</u>	<u>34</u>	<u>8,848,717</u>	<u>31</u>
NON-CURRENT ASSETS				
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 7)	9,814,285	40	12,743,751	45
Investments accounted for using equity method (Notes 4 and 11)	4,026,939	16	4,106,942	15
Property, plant and equipment (Notes 4, 12 and 30)	2,317,450	10	2,383,645	9
Right-of-use assets (Notes 4 and 13)	48,983	-	26,378	-
Investment properties (Notes 4 and 14)	7,102	-	7,823	-
Intangible assets (Note 4)	4,670	-	5,688	-
Deferred tax assets (Notes 4 and 25)	63,479	-	32,094	-
Refundable deposits	9,565	-	7,071	-
Net defined benefit assets - non-current (Notes 4 and 20)	54,217	-	548	-
Other non-current assets (Note 15)	10,261	-	16,636	-
Total non-current assets	<u>16,356,951</u>	<u>66</u>	<u>19,330,576</u>	<u>69</u>
TOTAL	<u>\$ 24,946,617</u>	<u>100</u>	<u>\$ 28,179,293</u>	<u>100</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	\$ -	-	\$ 100,000	-
Short-term bills payable (Note 16)	-	-	449,937	2
Contract liabilities - current (Notes 4, 21 and 23)	1,038,140	4	1,380,717	5
Notes payable, net (Note 21)	267,916	1	390,502	2
Trade payables, net (Notes 17 and 21 and 29)	1,045,623	4	1,638,382	6
Other payables (Notes 18 and 29)	214,936	1	214,832	1
Current tax liabilities (Notes 4 and 25)	42,921	-	105,662	-
Provisions - current (Notes 4 and 19)	71,737	-	61,408	-
Lease liabilities - current (Notes 4 and 13)	24,903	-	13,626	-
Current portion of long-term borrowings (Note 16)	150,000	1	-	-
Other current liabilities	31,825	-	32,892	-
Total current liabilities	<u>2,888,001</u>	<u>11</u>	<u>4,387,958</u>	<u>16</u>
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 16)	350,000	2	500,000	2
Deferred tax liabilities (Notes 4 and 25)	81,400	-	70,667	-
Lease liabilities - non-current (Notes 4 and 13)	20,798	-	11,278	-
Other non-current liabilities	330	-	436	-
Total non-current liabilities	<u>452,528</u>	<u>2</u>	<u>582,381</u>	<u>2</u>
Total liabilities	<u>3,340,529</u>	<u>13</u>	<u>4,970,339</u>	<u>18</u>
EQUITY (Note 22)				
Share capital				
Ordinary shares	4,170,915	17	4,199,820	15
Capital surplus	1,319,454	5	1,340,352	5
Retained earnings				
Legal reserve	2,441,847	10	2,294,939	8
Unappropriated earnings	8,106,299	32	6,839,705	24
Total retained earnings	10,548,146	42	9,134,644	32
Other equity				
Exchange differences on translation of the financial statements of foreign operations	(362)	-	(470)	-
Unrealized gain on financial assets at fair value through other comprehensive income	5,567,935	23	8,584,546	30
Total other equity	5,567,573	23	8,584,076	30
Treasury shares	-	-	(49,938)	-
Total equity	<u>21,606,088</u>	<u>87</u>	<u>23,208,954</u>	<u>82</u>
TOTAL	<u>\$ 24,946,617</u>	<u>100</u>	<u>\$ 28,179,293</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, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 29)	\$ 9,039,860	100	\$ 11,614,440	100
OPERATING COSTS (Notes 10, 20, 24 and 29)	<u>(7,515,827)</u>	<u>(83)</u>	<u>(10,394,215)</u>	<u>(90)</u>
GROSS PROFIT	<u>1,524,033</u>	<u>17</u>	<u>1,220,225</u>	<u>10</u>
OPERATING EXPENSES (Notes 20, 24 and 29)				
Selling and marketing expenses	(280,987)	(3)	(297,454)	(3)
General and administrative expenses	(156,642)	(2)	(139,938)	(1)
Expected credit gain (loss)	<u>11,853</u>	<u>-</u>	<u>(39,722)</u>	<u>-</u>
Total operating expenses	<u>(425,776)</u>	<u>(5)</u>	<u>(477,114)</u>	<u>(4)</u>
PROFIT FROM OPERATIONS	<u>1,098,257</u>	<u>12</u>	<u>743,111</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	10,321	-	6,086	-
Other income (Notes 24 and 29)	838,635	10	151,502	1
Other gains (losses) (Note 24)	5,843	-	1,615	-
Finance costs (Note 24)	(8,210)	-	(16,607)	-
Share of profit of subsidiaries	<u>739,302</u>	<u>8</u>	<u>530,361</u>	<u>5</u>
Total non-operating income and expenses	<u>1,585,891</u>	<u>18</u>	<u>672,957</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	2,684,148	30	1,416,068	12
INCOME TAX EXPENSE (Note 25)	<u>(89,471)</u>	<u>(1)</u>	<u>(137,808)</u>	<u>(1)</u>
NET PROFIT FOR THE YEAR	<u>2,594,677</u>	<u>29</u>	<u>1,278,260</u>	<u>11</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Note 20)	25,207	-	282	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(2,968,782)	(33)	7,607,619	66
Share of the other comprehensive income of subsidiaries accounted for using the equity method	2,104	-	690	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	<u>(5,041)</u>	<u>-</u>	<u>(57)</u>	<u>-</u>
	<u>(2,946,512)</u>	<u>(33)</u>	<u>7,608,534</u>	<u>66</u>

(Continued)

EVERGREEN STEEL CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2022		2021	
	Amount	%	Amount	%
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of the financial statements of foreign operations	\$ 135	-	\$ 60	-
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 25)	<u>(27)</u>	<u>-</u>	<u>118</u>	<u>-</u>
	<u>108</u>	<u>-</u>	<u>178</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(2,946,404)</u>	<u>(33)</u>	<u>7,608,712</u>	<u>66</u>
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	<u>\$ (351,727)</u>	<u>(4)</u>	<u>\$ 8,886,972</u>	<u>77</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 6.22</u>		<u>\$ 3.11</u>	
Diluted	<u>\$ 6.22</u>		<u>\$ 3.11</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, 2022 AND 2021
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings		Other Equity		Treasury Shares	Total Equity
	Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings	Exchange Differences on Translation of the Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2021	399,426	\$ 3,994,260	\$ 396,542	\$ 2,190,673	\$ 6,347,269	\$ (648)	\$ 1,166,832	\$ (93,113)	\$ 14,001,815
Appropriation of 2020 earnings									
Legal reserve	-	-	-	104,266	(104,266)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(872,378)	-	-	-	(872,378)
Dividends from claims extinguished by prescription	-	-	100	-	-	-	-	-	100
Net profit for the year ended December 31, 2021	-	-	-	-	1,278,260	-	-	-	1,278,260
Other comprehensive income for the year ended December 31, 2021, net of income tax	-	-	-	-	915	178	7,607,619	-	7,608,712
Total comprehensive income for the year ended December 31, 2021	-	-	-	-	1,279,175	178	7,607,619	-	8,886,972
Issuance of ordinary shares for cash	20,556	205,560	837,090	-	-	-	-	-	1,042,650
Disposal of treasury shares	-	-	106,620	-	-	-	-	43,175	149,795
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	189,905	-	(189,905)	-	-
BALANCE AT DECEMBER 31, 2021	419,982	4,199,820	1,340,352	2,294,939	6,839,705	(470)	8,584,546	(49,938)	23,208,954
Appropriation of 2021 earnings									
Legal reserve	-	-	-	146,908	(146,908)	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(1,251,274)	-	-	-	(1,251,274)
Dividends from claims extinguished by prescription	-	-	135	-	-	-	-	-	135
Net profit for the year ended December 31, 2022	-	-	-	-	2,594,677	-	-	-	2,594,677
Other comprehensive income (loss) for the year ended December 31, 2022, net of income tax	-	-	-	-	22,270	108	(2,968,782)	-	(2,946,404)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	-	2,616,947	108	(2,968,782)	-	(351,727)
Cancelation of treasury shares	(2,891)	(28,905)	(21,033)	-	-	-	-	49,938	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	47,829	-	(47,829)	-	-
BALANCE AT DECEMBER 31, 2022	417,091	\$ 4,170,915	\$ 1,319,454	\$ 2,441,847	\$ 8,106,299	\$ (362)	\$ 5,567,935	\$ -	\$ 21,606,088

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

EVERGREEN STEEL CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,684,148	\$ 1,416,068
Adjustments for:		
Depreciation expense	154,170	144,241
Amortization expense	3,207	3,278
Expected credit (reversed) loss recognized on trade receivables	(11,853)	39,722
Finance costs	8,210	16,607
Interest income	(10,321)	(6,086)
Dividend income	(830,706)	(122,674)
Ordinary shares transferred to employees at cost	-	39,660
Share of profit of subsidiaries	(739,302)	(530,361)
Gain on disposal of property, plant and equipment	(178)	(5,124)
Gain on disposal of investment properties	(6,517)	-
Net loss on disposal of inventories	10,491	2,159
Realized gain on the transactions with subsidiaries	-	(955)
Gain on lease modification	(14)	(7)
Other income	(679)	-
Changes in operating assets and liabilities		
Decrease in contract assets	289,671	878,682
(Increase) decrease in notes receivable	(59,465)	88,066
Decrease (Increase) in trade receivables	554,405	(909,841)
Increase in other receivables	(5,053)	(6,832)
Decrease (increase) in inventories	57,303	(2,157,298)
Decrease in other current assets	24,490	107,641
Increase in net defined benefit assets	(28,462)	(267)
(Decrease) increase in contract liabilities	(342,577)	1,056,962
(Decrease) increase in notes payable	(122,586)	40,936
(Decrease) increase in trade payables	(592,759)	506,199
(Decrease) increase in other payables	(8,949)	68,029
Increase in provisions	10,329	616
Decrease in deferred revenue	(61)	(94)
(Decrease) increase in other current liabilities	(1,067)	861
Decrease in net defined benefit liabilities	-	(23,033)
Cash generated from operations	1,035,875	647,155
Interest received	9,683	6,047
Interest paid	(8,136)	(16,922)
Income tax paid	(177,932)	(110,499)
Net cash generated from operating activities	<u>859,490</u>	<u>525,781</u>

(Continued)

EVERGREEN STEEL CORPORATION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021 (In Thousands of New Taiwan Dollars)

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at fair value through other comprehensive income	\$ -	\$ (5,240)
Proceeds from sale of financial assets at fair value through other comprehensive income	81,082	657,812
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	231,637	-
Purchase of financial assets at amortized cost	(566,000)	-
Acquisition of investments accounted for using the equity method	-	(1)
Payments for property, plant and equipment	(55,446)	(130,112)
Proceeds from disposal of property, plant and equipment	178	5,177
Increase in refundable deposits	(2,494)	(388)
Payments for intangible assets	(2,189)	(5,405)
Proceeds from disposal of investment properties	7,238	-
Decrease in other non-current assets	6,375	63,011
Dividends received	830,706	122,674
Dividends received from subsidiaries	<u>469,509</u>	<u>764,627</u>
Net cash generated from investing activities	<u>1,000,596</u>	<u>1,472,155</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of short-term borrowings	(100,000)	(590,000)
Repayments of bills payable	(449,937)	(1,349,234)
Proceeds from long-term borrowings	-	300,000
Repayments of long-term borrowings	-	(400,000)
Decrease in guarantee deposits	(45)	-
Repayment of principal portion of lease liabilities	(24,665)	(13,575)
Repayments of cash dividend	(1,251,274)	(872,378)
Proceeds from issuance of ordinary shares	-	1,002,990
Dividends from claims extinguished by prescription	<u>135</u>	<u>100</u>
Net cash used in financing activities	<u>(1,825,786)</u>	<u>(1,922,097)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,300	75,839
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>739,752</u>	<u>663,913</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 774,052</u>	<u>\$ 739,752</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, 2022 AND 2021

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

1. GENERAL INFORMATION

Evergreen Steel Corporation (the “Company”) was incorporated in January 1973 as a company limited by shares under the Company Law of the Republic of China. The Company is mainly engaged in the steel structure engineering business. The Company’s steel structure engineering business mainly includes engineering projects of factories, tall buildings and bridges. On January 13, 2020, the Company was approved by the Taipei Exchange (TPEX) for domestic initial public offering, and its ordinary shares were listed and traded on the Emerging Stock Board. Since April 12, 2021, the Company’s shares have been listed on the Taiwan Stock Exchange.

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, 2023.

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)

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.

- b. The IFRSs endorsed by the FSC for application starting from 2023

New IFRSs	Effective Date Announced by IASB
Amendments to IAS 1 “Disclosure of Accounting Policies”	January 1, 2023 (Note 1)
Amendments to IAS 8 “Definition of Accounting Estimates”	January 1, 2023 (Note 2)
Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”	January 1, 2023 (Note 3)

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

Note 2: The amendments will be 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.

Note 3: Except for deferred taxes that were recognized on January 1, 2022 for temporary differences associated with leases and decommissioning obligations, the amendments were applied prospectively to transactions that occurred on or after January 1, 2022.

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

The amendments specify that the Company should refer to the definition of material to determine its material accounting policy information to be disclosed. Accounting policy information is material if it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that:

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

The amendments also illustrate that accounting policy information is likely to be considered as material to the financial statements if that information relates to material transactions, other events or conditions and:

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

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

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

The Company has assessed that the application of other standards and interpretations will not have a material impact on the Company’s financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
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
Amendments to IFRS 16 “Leases Liability in a Sale and Leaseback”	January 1, 2024 (Note 2)
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IFRS 17 “Initial Application of IFRS 9 and IFRS 17 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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

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

In 2020, 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.

In 2020, 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.

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact of the application of other standards and interpretations 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 assets 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.

Except for freehold land which is not depreciated, the 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 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. When assessing whether a contract is onerous, before 2021 (inclusive), the cost of fulfilling a contract includes the incremental costs of fulfilling that contract; since 2022, includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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) 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.

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.

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 asset 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 asset represents the actual surplus 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 stock option granted 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 issued ordinary shares for cash which are reserved for employees is the date on which the employees are informed.

q. Taxation

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

1) Current tax

Income tax payable is based on taxable profit for the year determined in accordance with the applicable tax laws of each tax jurisdiction.

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

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

2) Deferred tax

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

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences 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 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 output unit, 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

	December 31	
	2022	2021
Cash on hand	\$ 2,915	\$ 2,815
Checking accounts and demand deposits	121,137	170,937
Cash equivalents		
Time deposits	<u>650,000</u>	<u>566,000</u>
	<u>\$ 774,052</u>	<u>\$ 739,752</u>

7. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 8,785,760	\$ 11,798,423
Unlisted shares	869,705	824,115
Foreign investments		
Unlisted shares	<u>158,820</u>	<u>121,213</u>
	<u>\$ 9,814,285</u>	<u>\$ 12,743,751</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 in 2022 and 2021, and transferred a gain of \$47,829 thousand and \$189,905 thousand, respectively, from other equity to retained earnings.

8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Domestic investments		
Pledge deposits	\$ 3,600	\$ 3,600
Time deposits with original maturities of more than 3 months	<u>566,000</u>	<u>-</u>
	<u>\$ 569,600</u>	<u>\$ 3,600</u>

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>2022</u>	<u>2021</u>
<u>Trade receivables (including trade receivables from related parties)</u>		
At amortized cost		
Gross carrying amount	\$ 1,018,618	\$ 1,573,023
Less: Allowance for impairment loss	<u>(768)</u>	<u>-</u>
	<u>\$ 1,017,850</u>	<u>\$ 1,573,023</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 impairment loss 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.

Except for individual customers who provide provision for losses when there is an obvious sign of impairment, 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 Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

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

December 31, 2022

	Amount Without Sign of Default				Amount with Sign of Default	Total
	0 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
Expected credit loss rate	0.06%	1.42%	-	-	-	
Gross carrying amount	\$ 1,005,925	\$ 12,693	\$ -	\$ -	\$ -	\$ 1,018,618
Loss allowance (Lifetime ECL)	(588)	(180)	-	-	-	(768)
Amortized cost	<u>\$ 1,005,337</u>	<u>\$ 12,513</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,850</u>

December 31, 2021

	Amount Without Sign of Default				Amount with Sign of Default	Total
	0 to 60 Days	61 to 90 Days	91 to 120 Days	Over 120 Days		
Expected credit loss rate	-	-	-	-	-	
Gross carrying amount	\$ 1,422,296	\$ 150,706	\$ 21	\$ -	\$ -	\$ 1,573,023
Loss allowance (Lifetime ECL)	-	-	-	-	-	-
Amortized cost	<u>\$ 1,422,296</u>	<u>\$ 150,706</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,573,023</u>

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

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ -	\$ 177
Add: Net remeasurement of loss allowance (reversed)	<u>768</u>	<u>(177)</u>
Balance at December 31	<u>\$ 768</u>	<u>\$ -</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Raw material	\$ 3,069,957	\$ 3,141,252
Supplies	<u>5,415</u>	<u>1,914</u>
	<u>\$ 3,075,372</u>	<u>\$ 3,143,166</u>

The cost of inventories recognized as operating cost for the years ended December 31, 2022 and 2021 were \$7,373,578 thousand and \$10,261,039 thousand, respectively. The cost of goods sold which included the inventory write-downs for the years ended December 31, 2022 and 2021 were \$10,491 thousand and \$2,159 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Subsidiaries

Name of Subsidiaries	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Hsin Yung Enterprise Corporation	\$ 1,893,245	\$ 2,174,561
Super Max Engineering Enterprise Co., Ltd.	976,753	919,737
Ever Ecove Corporation	905,731	763,964
Ming Yu Investment Corporation	<u>251,210</u>	<u>248,680</u>
	<u>\$ 4,026,939</u>	<u>\$ 4,106,942</u>

Proportion of Ownership and Voting Rights

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Hsin Yung Enterprise Corporation	68.46%	68.46%
Super Max Engineering Enterprise Co., Ltd.	48.13%	48.13%
Ever Ecove Corporation	50.06%	50.06%
Ming Yu Investment Corporation	100.00%	100.00%

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, 2022 and 2021 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, 2022	\$ 1,375,099	\$ 156,372	\$ 1,480,975	\$ 857,548	\$ 70,251	\$ 65,964	\$ 4,006,209
Additions	-	-	4,213	25,348	6,203	12,965	48,729
Disposals	-	-	-	(9,743)	(610)	(2,161)	(12,514)
Reclassification	-	-	<u>7,936</u>	<u>1,350</u>	-	<u>6,410</u>	<u>15,696</u>
Balance at December 31, 2022	<u>\$ 1,375,099</u>	<u>\$ 156,372</u>	<u>\$ 1,493,124</u>	<u>\$ 874,503</u>	<u>\$ 75,844</u>	<u>\$ 83,178</u>	<u>\$ 4,058,120</u>

(Continued)

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2022	\$ -	\$ 127,998	\$ 937,513	\$ 462,831	\$ 50,030	\$ 44,192	\$ 1,622,564
Disposals	-	-	-	(9,743)	(610)	(2,161)	(12,514)
Depreciation expense	-	4,544	44,973	66,502	6,807	7,794	130,620
Balance at December 31, 2022	\$ -	\$ 132,542	\$ 982,486	\$ 519,590	\$ 56,227	\$ 49,825	\$ 1,740,670
Carrying amount at December 31, 2022	\$ 1,375,099	\$ 23,830	\$ 510,638	\$ 354,913	\$ 19,617	\$ 33,353	\$ 2,317,450
<u>Cost</u>							
Balance at January 1, 2021	\$ 1,375,099	\$ 156,372	\$ 1,479,390	\$ 767,675	\$ 61,246	\$ 51,873	\$ 3,891,655
Additions	-	-	1,585	24,770	9,005	15,105	50,465
Disposals	-	-	-	(14,544)	-	(1,014)	(15,558)
Reclassification	-	-	-	79,647	-	-	79,647
Balance at December 31, 2021	\$ 1,375,099	\$ 156,372	\$ 1,480,975	\$ 857,548	\$ 70,251	\$ 65,964	\$ 4,006,209
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2021	\$ -	\$ 123,390	\$ 892,039	\$ 408,178	\$ 44,352	\$ 39,178	\$ 1,507,137
Disposals	-	-	-	(13,707)	-	(1,014)	(14,721)
Depreciation expense	-	4,608	45,474	68,360	5,678	6,028	130,148
Balance at December 31, 2021	\$ -	\$ 127,998	\$ 937,513	\$ 462,831	\$ 50,030	\$ 44,192	\$ 1,622,564
Carrying amount at December 31, 2021	\$ 1,375,099	\$ 28,374	\$ 543,462	\$ 394,717	\$ 20,221	\$ 21,772	\$ 2,383,645

(Concluded)

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

Land improvements	10 years
Buildings	2-55 years
Machinery and equipment	3-20 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

	<u>December 31</u>	
	2022	2021
<u>Carrying amount</u>		
Land	\$ 47,911	\$ 24,503
Other equipment	<u>1,072</u>	<u>1,875</u>
	<u>\$ 48,983</u>	<u>\$ 26,378</u>

	For the Year Ended December 31	
	2022	2021
Additions to right-of-use assets	<u>\$ 48,977</u>	<u>\$ 20,925</u>
Depreciation charge for right-of-use assets		
Land	\$ 22,747	\$ 13,139
Other equipment	<u>803</u>	<u>954</u>
	<u>\$ 23,550</u>	<u>\$ 14,093</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, 2022 and 2021.

b. Lease liabilities

	December 31	
	2022	2021
Carrying amount		
Current	<u>\$ 24,903</u>	<u>\$ 13,626</u>
Non-current	<u>\$ 20,798</u>	<u>\$ 11,278</u>

Range of discount rates for lease liabilities was as follows:

	December 31	
	2022	2021
	0.878%-1.47%	0.878%-1.10%

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

The Company leases land and equipment for the use of plants and manufacturing with lease term of 2 to 5 years. The Company does not have bargain purchase options to acquire the leasehold land 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

	For the Year Ended December 31	
	2022	2021
Expenses relating to short-term leases and low-value asset leases	<u>\$ 9,146</u>	<u>\$ 14,586</u>
Total cash outflow for leases	<u>\$ 34,231</u>	<u>\$ 28,398</u>

14. INVESTMENT PROPERTIES

	Amount
<u>Cost</u>	
Balance at January 1, 2022	\$ 150,995
Additions	-
Disposals	<u>(9,349)</u>
Balance at December 31, 2022	<u>\$ 141,646</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2022	\$ (143,172)
Disposals	<u>8,628</u>
Balance at December 31, 2022	<u>\$ (134,544)</u>
Carrying amount at December 31, 2022	<u>\$ 7,102</u>
<u>Cost</u>	
Balance at January 1, 2021	\$ 150,995
Additions	<u>-</u>
Balance at December 31, 2021	<u>\$ 150,995</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2021	\$ (143,172)
Impairment loss	<u>-</u>
Balance at December 31, 2021	<u>\$ (143,172)</u>
Carrying amount at December 31, 2021	<u>\$ 7,823</u>

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>	
	<u>2022</u>	<u>2021</u>
Fair value	<u>\$ 9,207</u>	<u>\$ 17,441</u>

The Company sold part of the investment properties, which resulted in gain on disposal of \$6,517 thousand stated as other gain (loss) in 2022.

15. OTHER ASSETS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Prepayments	\$ 22,886	\$ 37,396
Prepaid expenses	9,453	15,546
Tax credit	<u>-</u>	<u>3,887</u>
	<u>\$ 32,339</u>	<u>\$ 56,829</u>
<u>Non-current</u>		
Prepayments for equipment	<u>\$ 10,261</u>	<u>\$ 16,636</u>

16. BORROWINGS

a. Short-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ <u>-</u>	\$ <u>100,000</u>
Interest rate range	-	0.83%

b. Short-term bills payable

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Commercial paper	\$ -	\$ 450,000
Less: Unamortized discounts on short-term bills payable	<u>-</u>	<u>(63)</u>
	<u>\$ -</u>	<u>\$ 449,937</u>
Interest rate range	-	0.85%

Promissory institution included China Bills Finance Corporation, Mega Bills Finance Co., Ltd. and International Bills Finance Corporation.

c. long-term borrowings

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Secured borrowings</u>		
Bank loans	\$ 500,000	\$ 500,000
Less: Current portions of long-term borrowing	<u>(150,000)</u>	<u>-</u>
	<u>\$ 350,000</u>	<u>\$ 500,000</u>

(Continued)

	December 31	
	2022	2021
Expiry date	These borrowings are gradually expiring before the end of June 2024.	These borrowings are gradually expiring before the end of June 2024.
Interest rate range	1.60%-1.78%	0.89%-0.92% (Concluded)

Please refer to Note 30 for details of the collaterals pledged for the above long-term borrowings.

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

	December 31	
	2022	2021
<u>Current</u>		
Other payables		
Payables for annual leave	\$ 30,886	\$ 30,105
Payables for compensation of employees and remuneration of directors	20,600	12,141
Payables for transportation fees	18,345	57,228
Payables for taxes	14,433	29,969
Payables for insurance expenses	11,054	10,624
Payables for equipment	8,978	-
Payables for repairs and maintenance fees	6,943	5,624
Payable for professional fees	3,339	4,042
Payables for salaries or bonus	3,148	8,595
Others	<u>97,210</u>	<u>56,504</u>
	<u>\$ 214,936</u>	<u>\$ 214,832</u>

19. PROVISIONS

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
<u>Current</u>		
Warranties*	\$ 62,493	\$ 61,070
Onerous contract - loss on construction	<u>9,244</u>	<u>338</u>
	<u>\$ 71,737</u>	<u>\$ 61,408</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:

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Present value of defined benefit obligation	\$ 317,812	\$ 339,563
Fair value of plan assets	<u>(372,029)</u>	<u>(340,111)</u>
Net defined benefit asset	<u>\$ (54,217)</u>	<u>\$ (548)</u>

Movements in net defined benefit assets were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Asset
Balance at January 1, 2022	\$ 339,563	\$ (340,111)	\$ (548)
Service cost			
Current service cost	5,029	-	5,029
Net interest expense (income)	<u>2,122</u>	<u>(2,207)</u>	<u>(85)</u>
Recognized in profit or loss	<u>7,151</u>	<u>(2,207)</u>	<u>4,944</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(26,190)	(26,190)
Actuarial income - changes in financial assumptions	(6,465)	-	(6,465)
Actuarial loss - experience adjustments	<u>7,448</u>	<u>-</u>	<u>7,448</u>
Recognized in other comprehensive income	<u>983</u>	<u>(26,190)</u>	<u>(25,207)</u>
Contributions from the employer	-	(25,678)	(25,678)
Benefits paid	(22,157)	22,157	-
Company paid	<u>(7,728)</u>	<u>-</u>	<u>(7,728)</u>
Balance at December 31, 2022	<u>\$ 317,812</u>	<u>\$ (372,029)</u>	<u>\$ (54,217)</u>
Balance at January 1, 2021	\$ 349,257	\$ (326,224)	\$ 23,033
Service cost			
Current service cost	5,220	-	5,220
Net interest expense (income)	<u>1,746</u>	<u>(1,698)</u>	<u>48</u>
Recognized in profit or loss	<u>6,966</u>	<u>(1,698)</u>	<u>5,268</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,135)	(4,135)
Actuarial loss - changes in demographic assumptions	7,949	-	7,949
Actuarial income - changes in financial assumptions	(3,414)	-	(3,414)
Actuarial income - experience adjustments	<u>(682)</u>	<u>-</u>	<u>(682)</u>
Recognized in other comprehensive income	<u>3,853</u>	<u>(4,135)</u>	<u>(282)</u>
Contributions from the employer	-	(26,236)	(26,236)
Benefits paid	(18,182)	18,182	-
Company paid	<u>(2,331)</u>	<u>-</u>	<u>(2,331)</u>
Balance at December 31, 2021	<u>\$ 339,563</u>	<u>\$ (340,111)</u>	<u>\$ (548)</u>

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

	For the Year Ended December 31	
	2022	2021
Operating cost	\$ 2,554	\$ 2,631
Operating expenses	<u>2,390</u>	<u>2,637</u>
	<u>\$ 4,944</u>	<u>\$ 5,268</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:

	December 31	
	2022	2021
Discount rate(s)	1.375%	0.625%
Expected rate(s) of salary increase	2.5%	2.0%
Turnover rate	3%-7.5%	3%-7.5%

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

	December 31	
	2022	2021
Discount rate(s)		
0.25% increase	<u>\$ (5,924)</u>	<u>\$ (6,807)</u>
0.25% decrease	<u>\$ 6,107</u>	<u>\$ 7,027</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 5,930</u>	<u>\$ 6,810</u>
0.25% decrease	<u>\$ (5,782)</u>	<u>\$ (6,631)</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.

	December 31	
	2022	2021
Expected contributions to the plan for the next year	<u>\$ 25,435</u>	<u>\$ 26,197</u>
Average duration of the defined benefit obligation	7.7 years	8.2 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:

	Within 1 Year	More Than 1 Year	Total
<u>December 31, 2022</u>			
Assets			
Notes receivable	\$ 97,624	\$ -	\$ 97,624
Trade receivables	985,508	-	985,508
Inventories	3,073,889	-	3,073,889
Contract assets - current	<u>1,738,743</u>	<u>1,256,599</u>	<u>2,995,342</u>
	<u>\$ 5,895,764</u>	<u>\$ 1,256,599</u>	<u>\$ 7,152,363</u>
Liabilities			
Notes payable	\$ 260,508	\$ -	\$ 260,508
Trade payables	947,474	83,260	1,030,734
Contract liabilities - current	<u>1,038,140</u>	<u>-</u>	<u>1,038,140</u>
	<u>\$ 2,246,122</u>	<u>\$ 83,260</u>	<u>\$ 2,329,382</u>
<u>December 31, 2021</u>			
Assets			
Notes receivable	\$ 38,136	\$ -	\$ 38,136
Trade receivables	1,539,150	-	1,539,150
Inventories	3,141,925	-	3,141,925
Contract assets - current	<u>1,791,378</u>	<u>1,481,014</u>	<u>3,272,392</u>
	<u>\$ 6,510,589</u>	<u>\$ 1,481,014</u>	<u>\$ 7,991,603</u>
Liabilities			
Notes payable	\$ 383,758	\$ -	\$ 383,758
Trade payables	1,481,001	141,896	1,622,897
Contract liabilities - current	<u>1,380,717</u>	<u>-</u>	<u>1,380,717</u>
	<u>\$ 3,245,476</u>	<u>\$ 141,896</u>	<u>\$ 3,387,372</u>

22. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	<u>2022</u>	<u>2021</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>417,091</u>	<u>419,982</u>
Shares issued	<u>\$ 4,170,915</u>	<u>\$ 4,199,820</u>

On December 21, 2020, the board of directors resolved a cash capital increase by issuing 20,556 thousand new shares with a par value \$10, and the base date of capital increase was April 8, 2021. The change of registration was completed on April 28, 2021.

The above cash capital increase proposal retains 10% of the cash capital increase shares, which totaled 2,056 thousand shares, for employees' subscription. The Company recognized salary expenses and capital surplus - employee share options of \$39,660 thousand on the grant date.

On August 10, 2022, the board of directors resolved to cancel 2,891 thousand treasury shares. Furthermore, registration change was completed on September 27, 2022.

b. Capital surplus

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital (1)</u>		
Additional paid-in capital		
Issuance of ordinary shares	\$ 834,085	\$ 839,865
From business combinations	51,598	51,956
Treasury share transactions	424,933	439,828
<u>Only be used to offset a deficit</u>		
Changes in ownership interests in subsidiaries (2)	8,510	8,510
Unclaimed dividends	<u>328</u>	<u>193</u>
	<u>\$ 1,319,454</u>	<u>\$ 1,340,352</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 a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on distribution of compensation of employees and remuneration of directors before and after amendment, refer to f. employee benefits expense in Note 24.

On June 10, 2022, the Company held a shareholders' meeting and amended the Company's Articles of Incorporation, which stipulates that the special surplus reserve set aside in the preceding paragraph belongs to a part that has not been fully accumulated in the prior years, and the same amount thereof shall be set aside for the special surplus reserve from the retained earnings accrued from prior years. If the special surplus reserve is still insufficient, the amount from the net income after taxes for the current period plus the items other than the net income after taxes for the current period shall be included in the amount of the retained earnings for the current period to be set aside for such a purpose. Before the amendment of the Articles of Incorporation, the Company has set aside the special surplus reserve from the retained earnings accrued from the prior years in accordance with the regulations.

The Company's dividend policy also stipulates 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 dividends may be distributed by either 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 2021 and 2020 which were approved in the shareholders' meetings on June 10, 2022 and July 23, 2021, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2021	2020	2021	2020
Legal reserve	\$ 146,908	\$ 104,266		
Cash dividends	1,251,274	872,378	\$ 3.00	\$ 2.09

The appropriations of earnings for 2022, which were proposed by the Company's board of directors on March 10, 2023, were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 266,478	
Cash dividends	2,085,457	\$ 5.00

The appropriation of earnings for 2022 is subject to resolution in the shareholders' meeting to be held on June 20, 2023.

d. Treasury shares

	Shares Transferred to Employees (In Thousands of Shares)	Shares Held by Subsidiary - Ming Yu Investment Corporation (In Thousands of Shares)	Total (In Thousands of Shares)
Number of shares at January 1, 2022	2,891	-	2,891
Additions	-	-	-
Less	<u>(2,891)</u>	<u>-</u>	<u>(2,891)</u>
Number of shares at December 31, 2022	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount at December 31, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Number of shares at January 1, 2021	2,891	2,499	5,390
Additions	-	-	-
Less	<u>-</u>	<u>(2,499)</u>	<u>(2,499)</u>
Number of shares at December 31, 2021	<u>2,891</u>	<u>-</u>	<u>2,891</u>
Carrying amount at December 31, 2021	<u>\$ 49,938</u>	<u>\$ -</u>	<u>\$ 49,938</u>

For the years ended December 31, 2021, the Company's shares were held by its subsidiary - Ming Yu Investment Corporation. Ming Yu Investment Corporation sold 2,499 thousand shares to unrelated parties.

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

	For the Year Ended December 31	
	2022	2021
Construction contract revenue	\$ 8,857,305	\$ 11,449,741
Revenue from containers repair	<u>182,555</u>	<u>164,699</u>
	<u>\$ 9,039,860</u>	<u>\$ 11,614,440</u>

a. Contract balances

	December 31	
	2022	2021
Contract assets		
Properties construction	\$ 931,051	\$ 1,471,732
Retention receivable	2,129,618	1,878,608
Less: Allowance for impairment loss	<u>(65,327)</u>	<u>(77,948)</u>
	<u>\$ 2,995,342</u>	<u>\$ 3,272,392</u>
Contract liabilities		
Properties construction	<u>\$ 1,038,140</u>	<u>\$ 1,380,717</u>

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

	For the Year Ended December 31	
	2022	2021
Balance at January 1	\$ 77,948	\$ 38,049
Add: Net remeasurement of loss allowance (reversed)	<u>(12,621)</u>	<u>39,899</u>
Balance at December 31	<u>\$ 65,327</u>	<u>\$ 77,948</u>

b. Partially completed contracts

As of December 31, 2022 and 2021, the transaction price allocated to contract performance obligations that have not been completed totaled NT\$16,255,276 thousand and NT\$14,884,417 thousand. The Company shall gradually recognize revenues based on the completion status of the projects. The revenues from the contracts are expected to be recognized before the end of 2024.

24. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2022	2021
Dividend income	\$ 830,706	\$ 122,674
Rental income	3,028	7,642
Others (Note 29)	<u>4,901</u>	<u>21,186</u>
	<u>\$ 838,635</u>	<u>\$ 151,502</u>

b. Other gains and losses

	For the Year Ended December 31	
	2022	2021
Gain on disposal of investment property	\$ 6,517	\$ -
Gain on disposal of property, plant and equipment	178	5,124
Net foreign exchange (losses) gains	(67)	31
Others	<u>(785)</u>	<u>(3,540)</u>
	<u>\$ 5,843</u>	<u>\$ 1,615</u>

c. Finance costs

For the Year Ended December 31

	2022	2021
Interest on bank loans	\$ 7,233	\$ 10,668
Interest of commercial paper	557	5,702
Interest on lease liabilities	<u>420</u>	<u>237</u>
	<u>\$ 8,210</u>	<u>\$ 16,607</u>

d. Depreciation and amortization

For the Year Ended December 31

	2022	2021
Property, plant and equipment	\$ 130,620	\$ 130,148
Right-of-use assets	23,550	14,093
Intangible assets	<u>3,207</u>	<u>3,278</u>
	<u>\$ 157,377</u>	<u>\$ 147,519</u>
 An analysis of deprecation by function		
Operating costs	\$ 148,091	\$ 138,437
Operating expenses	<u>6,079</u>	<u>5,804</u>
	<u>\$ 154,170</u>	<u>\$ 144,241</u>
 An analysis of amortization by function		
Operating costs	\$ 137	\$ 271
Operating expenses	<u>3,070</u>	<u>3,007</u>
	<u>\$ 3,207</u>	<u>\$ 3,278</u>

e. Employee benefits expense

For the Year Ended December 31

	2022	2021
Post-employment benefits		
Defined contribution plans	\$ 16,800	\$ 14,880
Defined benefit plans (Note 20)	4,944	5,268
Other employee benefits	<u>658,496</u>	<u>654,611</u>
Total employee benefits expense	<u>\$ 680,240</u>	<u>\$ 674,759</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 338,791	\$ 315,934
Operating expenses	<u>341,449</u>	<u>358,825</u>
	<u>\$ 680,240</u>	<u>\$ 674,759</u>

f. Compensation of employees and remuneration of directors

According to the Articles of Incorporation of the Company, the Company accrued compensation of employees and remuneration of directors 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. The compensation of employees and the remuneration of directors for the years ended December 31, 2022 and 2021, which were approved by the Company's board of directors on March 10, 2023 and March 21, 2022, respectively, are as follows:

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Compensation of employees	0.50%	0.50%
Remuneration of directors	0.26%	0.35%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>Cash</u>	<u>Cash</u>
Compensation of employees	\$ 13,600	\$ 7,141
Remuneration of directors	7,000	5,000

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.

There is no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the financial statements for the years ended December 31, 2021 and 2020.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors 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:

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Current tax		
In respect of the current year	\$ 230,798	\$ 148,027
Income tax on unappropriated earnings	2,233	783
Shareholders' investment tax credits	(115,399)	-
Land value increment tax	550	-
Adjustment for prior year	<u>(2,991)</u>	<u>(1,483)</u>
	<u>115,191</u>	<u>147,327</u>

(Continued)

	For the Year Ended December 31	
	2022	2021
Deferred tax		
In respect of the current year	\$ (1,119)	\$ (9,519)
Shareholders' investment tax credits	<u>(24,601)</u>	<u>-</u>
	<u>(25,720)</u>	<u>(9,519)</u>
Income tax expense recognized in profit or loss	<u>\$ 89,471</u>	<u>\$ 137,808</u>
		(Concluded)

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

	For the Year Ended December 31	
	2022	2021
Profit before tax	<u>\$ 2,684,148</u>	<u>\$ 1,416,068</u>
Income tax expense calculated at the statutory rate	\$ 536,830	\$ 283,214
Nondeductible expenses in determining taxable income	8,239	4
Tax-exempt income	(315,305)	(130,607)
Income tax on unappropriated earnings	2,233	783
Loss on investments	-	(4,069)
Unrecognized deductible temporary differences	-	(9,913)
Shareholders' investment tax credits	(140,000)	-
Land value increment tax	550	-
Adjustments for prior years' tax	(2,991)	(1,483)
Others	<u>(85)</u>	<u>(121)</u>
Income tax expense recognized in profit or loss	<u>\$ 89,471</u>	<u>\$ 137,808</u>

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, 2022

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Bad debts in excess of the limit	\$ 9,285	\$ (1,171)	\$ -	\$ 8,114
Payable for annual leave	6,021	156	-	6,177
Unrealized loss on inventories	4,455	2,098	-	6,553
Unrealized exchange loss	1	3	-	4
Provision for warranties	12,214	285	-	12,499
				(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
Exchange differences on translation of the financial statements of foreign operations	\$ 118	\$ -	\$ (27)	\$ 91
Shareholders' investment tax credits		24,601	-	24,601
Others	<u>-</u>	<u>5,440</u>	<u>-</u>	<u>5,440</u>
	<u>\$ 32,094</u>	<u>\$ 31,412</u>	<u>\$ (27)</u>	<u>\$ 63,479</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995
Defined benefit plans	<u>4,672</u>	<u>5,692</u>	<u>5,041</u>	<u>15,405</u>
	<u>\$ 70,667</u>	<u>\$ 5,692</u>	<u>\$ 5,041</u>	<u>\$ 81,400</u> (Concluded)

For the year ended December 31, 2021

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre- hensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Bad debts in excess of the limit	\$ -	\$ 9,285	\$ -	\$ 9,285
Payable for annual leave	5,632	389	-	6,021
Unrealized loss on inventories	-	4,455	-	4,455
Defined benefit plans	41	(41)	-	-
Unrealized exchange loss	24	(23)	-	1
Provision for warranties	12,145	69	-	12,214
Exchange differences on translation of the financial statements of foreign operations	<u>-</u>	<u>-</u>	<u>118</u>	<u>118</u>
	<u>\$ 17,842</u>	<u>\$ 14,134</u>	<u>\$ 118</u>	<u>\$ 32,094</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995
Defined benefit plans	<u>-</u>	<u>4,615</u>	<u>57</u>	<u>4,672</u>
	<u>\$ 65,995</u>	<u>\$ 4,615</u>	<u>\$ 57</u>	<u>\$ 70,667</u>

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

	<u>December 31</u>	
	<u>2022</u>	<u>2021</u>
Deductible temporary differences		
Impairment loss on financial assets	<u>\$ 122,669</u>	<u>\$ 124,736</u>

- d. Income tax assessments

The income tax of the Company through 2020 has been assessed by the Tax Authorities.

26. EARNINGS PER SHARE

Units: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 6.22</u>	<u>\$ 3.11</u>
Diluted earnings per share	<u>\$ 6.22</u>	<u>\$ 3.11</u>

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

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Profit for the year	<u>\$ 2,594,677</u>	<u>\$ 1,278,260</u>

Shares

Unit: In Thousand Shares

	<u>For the Year Ended December 31</u>	
	<u>2022</u>	<u>2021</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	417,091	410,803
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>290</u>	<u>153</u>
Weighted average number of ordinary shares outstanding in the computation of diluted earnings per share	<u>417,381</u>	<u>410,956</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 will be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. CAPITAL MANAGEMENT

The 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, 2022

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 8,785,760	\$ -	\$ -	\$ 8,785,760
Unlisted shares - ROC	-	-	869,705	869,705
Unlisted shares in other country	-	-	158,820	158,820
	<u>\$ 8,785,760</u>	<u>\$ -</u>	<u>\$ 1,028,525</u>	<u>\$ 9,814,285</u>

Fair value hierarchy as of December 31, 2021

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 11,798,423	\$ -	\$ -	\$ 11,798,423
Unlisted shares - ROC	-	-	824,115	824,115
Unlisted shares in other country	-	-	121,213	121,213
	<u>\$ 11,798,423</u>	<u>\$ -</u>	<u>\$ 945,328</u>	<u>\$ 12,743,751</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

	December 31	
	2022	2021
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 2,496,178	\$ 2,383,401
Financial assets at FVTOCI		
Equity instruments	9,814,285	12,743,751
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (2)	1,945,582	3,199,762
Lease liabilities	45,701	24,904

- 1) The balances included financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, trade receivables, 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 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 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. 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.

	December 31	
	2022	2021
Fair value interest rate risk		
Financial assets	\$ 650,000	\$ -
Financial liabilities	45,701	574,841
Cash flow interest rate risk		
Financial assets	582,909	574,312
Financial liabilities	500,000	500,000

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.

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, 2022 and 2021 would have increased/decreased by \$415 thousand and \$372 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 3% higher/lower, pre-tax profit for years ended December 31, 2022 and 2021 would have increased/decreased by \$294,429 thousand and \$382,313 thousand, respectively, as a result of the changes in fair value of financial assets as FVTOCI.

The Company's sensitivity to equity prices decreased 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 12% and 42% of total trade receivables as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 upon repayment periods. The tables have 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, 2022

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,362,298	\$ 83,284	\$ -
Lease liabilities	25,275	21,013	-
Variable interest rate liabilities	<u>150,097</u>	<u>357,810</u>	<u>-</u>
	<u>\$ 1,537,670</u>	<u>\$ 462,107</u>	<u>\$ -</u>

December 31, 2021

	Less than 1 Year	1-5 Years	5+ Years
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 2,007,859	\$ 141,965	\$ -
Lease liabilities	13,793	11,339	-
Variable interest rate liabilities	-	510,066	-
Fixed interest rate liabilities	<u>549,958</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,571,610</u>	<u>\$ 663,370</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	2022	2021
Unsecured bank facilities		
Amount used	\$ 366,317	\$ 1,051,335
Amount unused	<u>5,917,683</u>	<u>5,732,665</u>
	<u>\$ 6,284,000</u>	<u>\$ 6,784,000</u>
Secured bank facilities		
Amount used	\$ 1,200,000	\$ 600,000
Amount unused	<u>180,000</u>	<u>780,000</u>
	<u>\$ 1,380,000</u>	<u>\$ 1,380,000</u>

29. TRANSACTIONS WITH RELATED PARTIES

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 Marine Corporation	Investor that has significant influence over the Company (related party in substance prior to October 2022)
Chang Yung-Fa Foundation	Became related party in substance in November 2022
Evergreen International Storage & Transport Corporation	Became related party in substance in November 2022
Evergreen International Corporation	Related party in substance (investor that has significant influence over the Company prior to October 2022)
Evergreen Security Corporation	Related party in substance
Ever Accord Construction Corporation	Related party in substance
EVA Airways Corporation	Related party in substance
Hsin Yung Enterprise Corporation	Subsidiary
Super Max Engineering Enterprise Co., Ltd.	Subsidiary
Ever Ecove Corporation	Subsidiary
Ming Yu Investment Corporation	Subsidiary

b. Operating revenue

Related Party	For the Year Ended December 31	
	2022	2021
Investor that has significant influence over the Company	\$ 28,961	\$ -
Related party in substance	<u>143,866</u>	<u>666,239</u>
	<u>\$ 172,827</u>	<u>\$ 666,239</u>

The sales conditions for related parties in substance were not significantly different from those sales made to the Company's usual price list. There was no comparable sales price between non-related parties and related party in substance for repairing containers.

c. Other income

Related Party	For the Year Ended December 31	
	2022	2021
Subsidiaries	<u>\$ 1,751</u>	<u>\$ 2,603</u>

d. Purchases of goods and expenses

Related Party	For the Year Ended December 31	
	2022	2021
Investor that has significant influence over the Company	\$ 3,388	\$ 8,434
Subsidiaries	585	-
Related party in substance	<u>18,082</u>	<u>14,960</u>
	<u>\$ 22,055</u>	<u>\$ 23,394</u>

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

e. Contract assets

Related Party	December 31	
	2022	2021
Related party in substance	<u>\$ 66,126</u>	<u>\$ 108,229</u>

For the years ended December 31, 2022 and 2021, allowance for loss of \$894 thousand and \$4,654 thousand, respectively, was recognized for contract assets from related parties.

f. Receivables from related parties

Trade receivables

Related Party	December 31	
	2022	2021
Investor that has significant influence over the Company	\$ 31,092	\$ -
Related party in substance	<u>19</u>	<u>32,275</u>
	<u>\$ 31,111</u>	<u>\$ 32,275</u>

For the years ended December 31, 2022, impairment loss of \$19 thousand for accounts receivable.

Other receivables

Related Party	December 31	
	2022	2021
Subsidiaries	<u>\$ 126</u>	<u>\$ 126</u>

The outstanding trade receivables from related parties are unsecured.

g. Payables to related parties

Trade payables

Related Party	December 31	
	2022	2021
Related party in substance	<u>\$ 319</u>	<u>\$ -</u>

Other payables

Related Party	December 31	
	2022	2021
Investor that has significant influence over the Company	\$ 1	\$ 1,368
Related party in substance	<u>1,888</u>	<u>1,301</u>
	<u>\$ 1,889</u>	<u>\$ 2,669</u>

The outstanding trade payables to related parties are unsecured.

h. Compensation of key management personnel

	For the Year Ended December 31	
	2022	2021
Short-term employee benefits	\$ 24,294	\$ 22,879
Post-employment benefits	587	933
Share-based payments	<u>-</u>	<u>656</u>
	<u>\$ 24,881</u>	<u>\$ 24,468</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.

	<u>December 31</u>	
	2022	2021
Property, plant, and equipment, net	\$ 1,909,567	\$ 1,946,935
Financial assets at amortized cost	<u>3,600</u>	<u>3,600</u>
	<u>\$ 1,913,167</u>	<u>\$ 1,950,535</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, 2022 and 2021 were as follows:

As of December 31, 2022 and 2021, unused letters of credit for purchasing of materials are as follows:

Currency	<u>December 31</u>	
	2022	2021
NTD	\$ 198,364	\$ 283,947

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, 2022

Unit: In Thousands of Foreign Currency/New Taiwan Dollars

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 37	30.71 (USD:NTD)	\$ 1,134
<u>Financial liabilities</u>			
Monetary items			
RMB	793	4.408 (RMB:NTD)	3,495

December 31, 2021

Unit: In Thousands of Foreign Currency/New Taiwan Dollars

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 119	27.68 (USD:NTD)	\$ 3,289
<u>Financial liabilities</u>			
Monetary items			
RMB	949	4.344 (RMB:NTD)	4,121

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: None.
- 9) Trading in derivative instruments: None.
- 10) Names, locations, and related information of investees accounted for: See Table 4 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 5 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 6 attached.

34. OTHERS

The Company's assessment of COVID-19 has little impact on the overall operations; however, the international epidemic is still uncertain. The Company will continue to pay attention to the development of the epidemic and take relevant counter measurements to alleviate the impact on the Company's operations.

EVERGREEN STEEL CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2022
(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	\$ 10,803,044	\$ 3,087,000	\$ 2,842,000	\$ 2,226,000	\$ -	13.15	\$ 10,803,044	Y	-	-	Note 2
		Evergreen Heavy Industrial Corp. (Malaysia) Berhad	All capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages	10,803,044	250,187	238,499	20,560	-	1.10	10,803,044	-	-	-	Note 2
1	Ming Yu Investment Corporation	Evergreen Steel Corporation	Parent company	5,024,200	1,201,220	1,201,220	1,201,220	-	478.17	5,024,200	-	Y	-	Note 3

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

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

Note 2: 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 3: 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 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, 2022

(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, 2022				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Evergreen Steel Corporation	<u>Ordinary shares</u>							
	EVA Airways Corporation	Related party in substance	Financial assets at FVTOCI - non-current	204,672,763	\$ 5,761,539	3.82	\$ 5,761,539	
	Shin Kong Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - non-current	7,931,339	69,558	0.05	69,558	
	Evergreen Marine Corporation	Investor that has significant influence over the Company	Financial assets at FVTOCI - non-current	15,304,681	2,494,663	0.72	2,494,663	
	Taiwan High Speed Rail Corporation	-	Financial assets at FVTOCI - non-current	16,000,000	460,000	0.28	460,000	
	Taiwan Terminal Services Corporation	Related party in substance	Financial assets at FVTOCI - non-current	100,000	1,063	1.00	1,063	
	Taiwan Aerospace Corporation	-	Financial assets at FVTOCI - non-current	5,502,847	64,163	4.06	64,163	
	Pacific Resources Corporation	-	Financial assets at FVTOCI - non-current	383,906	4,231	2.56	4,231	
	Taiwan Incubator SME Development Corporation.	-	Financial assets at FVTOCI - non-current	7,689,240	66,281	10.90	66,281	
	Evergreen Heavy Industrial Corp. (Malaysia) Berhad	Related party in substance	Financial assets at FVTOCI - non-current	6,678,735	158,820	13.39	158,820	
	Dongwei Transportation Co., Ltd.	-	Financial assets at FVTOCI - non-current	660,000	8,376	18.86	8,376	
	Ever Accord Construction Corporation	Related party in substance	Financial assets at FVTOCI - non-current	7,499,972	84,450	12.50	84,450	
	UNI Airways Corporation	Related party in substance	Financial assets at FVTOCI - non-current	56,474,992	640,991	14.99	640,991	
Evergreen Security Corporation	Related party in substance	Financial assets at FVTOCI - non-current	10,000	150	0.05	150		

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, 2022
(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	Investor that has significant influence over the Company	Sale	\$ 170,122	1.88	15-45 days	Note	No significant difference	\$ 31,092	2.79	

Note: No similar prices on revenue from containers repair to compare with significant impact investor.

EVERGREEN STEEL CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ACCOUNTED FOR FOR THE YEAR ENDED DECEMBER 31, 2022
(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, 2022			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2022	December 31, 2021	Number of Shares	Percentage of Ownership (%)	Carrying Amount			
Evergreen Steel Corporation	Hsin Yung Enterprise Corporation Super Max Engineering Enterprise Co., Ltd.	Taiwan	Waste treatment, disposal and cogeneration	\$ 992,666	\$ 992,666	99,266,577	68.46	\$ 1,893,245	\$ 682,497	\$ 467,235	Subsidiary
		Taiwan	Waste collection, treatment and disposal	594,441	594,441	24,147,144	48.13	976,753	265,651	127,847	Subsidiary
	Taiwan	Ever Ecove Corporation Ming Yu Investment Co., Ltd.	Waste treatment, disposal and cogeneration	801,000	801,000	80,100,000	50.06	905,731	283,191	141,773	Subsidiary
			Investment activities	239,487	239,487	10,350,000	100.00	251,210	2,447	2,447	Subsidiary
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	4,999,999	50.00	175,944	92,169	46,084	Accounted for using equity method

Note: Refer to Table 5 for information on investments in mainland China.

EVERGREEN STEEL CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2022

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

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment (Note 1)	Accumulated Outflow of Investment from Taiwan as of January 1, 2022	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2022	Net Income (Losses) of the Investee Company	Percentage of Ownership (%)	Share of Profit (Loss) (Note 2)	Carrying Amount as of December 31, 2022	Accumulated Inward Remittance of Earnings as of December 31, 2022	Note
					Outflow	Inflow							
Kunshan Weisheng Environmental Equipment Engineering Co., Ltd.	Design, manufacture and installation of waste water, waste gas equipment and various piping	\$ 12,284 (US\$ 400)	c	\$ 12,284 (US\$ 400)	\$ -	\$ -	\$ 12,284 (US\$ 400)	\$ 41,697 (RMB 9,429)	24.07	\$ 10,034	\$ 26,688	\$ 46,926 (US\$ 1,528)	

Accumulated Investments in Mainland China as of December 31, 2022	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 12,284 (US\$ 400)	\$ 12,284 (US\$ 400)	\$ 14,851,754

Note 1: Investment methods are classified into the following three categories:

- a. Directly invest in a company in Mainland China.
- b. Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
- c. Others.

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

TABLE 6**EVERGREEN STEEL CORPORATION****INFORMATION ON MAJOR SHAREHOLDERS****DECEMBER 31, 2022**

Name of Major Shareholder	Shares	
	Number of Shares	Percentage of Ownership (%)
Evergreen Marine Corporation	79,248,000	19.00
Chang, Kuo-Ming	26,950,000	6.46
Chang, Kuo-Hua	25,756,820	6.17
Continental Engineering Corporation	25,645,907	6.14
Chang Yung-Fa Foundation	25,008,820	5.99
Chang, Kuo-Cheng	25,008,820	5.99

Note 1: The information on the major shareholder listed in the table above is based on the total number of ordinary and preference shares (including treasury shares) owned by the shareholder at a minimum shareholding percentage of 5%, and which have been delivered as non-physical securities to the Taiwan Depository & Clearing Corporation on the last business day at the end of the quarter. The actual number of shares delivered as non-physical securities and the number of shares recorded in the Company's financial statements may be different due to differences in the basis of preparation and calculation.

Note 2: According the above information, the delivery of shares to the trust by shareholders is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, shareholders who acquire more than 10% of shareholding have to disclose their insider ownerships, including their own shares held and those delivered to the trust over which shareholders have the right to make decisions on trust property, etc. Information on insider ownership declaration is available at the Market Observation Post System website of the Taiwan Stock Exchange.

EVERGREEN STEEL CORPORATION

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EVERGREEN STEEL CORPORATION

STATEMENT OF CASH AND CASH EQUIVALENTS

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Remark	Amount
Cash on hand		\$ 2,915
Cash in banks		
Checking accounts and demand deposits	Note	121,137
Time deposits		<u>650,000</u>
		<u>\$ 774,052</u>

Note: Includes US\$37 thousand at \$30.71.

EVERGREEN STEEL CORPORATION**STATEMENT OF FINANCIAL ASSETS AT AMORTIZED COST****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Item	Annual Interest Rates (%)	Maturity Date	Amount
Time deposits with original maturities of more than 3 months	1.45	2022.03.02-2023.05.20	\$ 566,000
Pledged deposits	1.44	2022.03.15-2023.11.02	<u>3,600</u>
			<u>\$ 569,600</u>

EVERGREEN STEEL CORPORATION**STATEMENT OF TRADE RECEIVABLES****DECEMBER 31, 2022****(In Thousands of New Taiwan Dollars)**

Client Name	Amount
Client A	\$ 240,780
Client B	110,145
Client C	109,410
Client D	60,494
Client E	52,940
Client F	51,907
Others (Note)	<u>392,942</u>
	1,018,618
Less: Allowance for impairment loss	<u>(768)</u>
	<u>\$ 1,017,850</u>

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

EVERGREEN STEEL CORPORATION

STATEMENT OF INVENTORIES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 3,096,987	\$ 3,069,957
Supplies	<u>11,148</u>	<u>5,415</u>
	<u>\$ 3,108,135</u>	<u>\$ 3,075,372</u>

EVERGREEN STEEL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2022		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Balance at December 31, 2022		Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	
EVA Airways Corporation	206,972,763	\$ 5,784,889	-	\$ 9,903	(2,300,000)	\$ (33,253)	204,672,763	\$ 5,761,539	N/A
Shin Kong Financial Holding Co., Ltd.	7,931,339	87,641	-	-	-	(18,083)	7,931,339	69,558	N/A
Evergreen Marine Corporation	38,261,703	5,452,293	-	-	(22,957,022)	(2,957,630)	15,304,681	2,494,663	N/A
Taiwan High Speed Rail Corporation	16,000,000	473,600	-	-	-	(13,600)	16,000,000	460,000	N/A
Taiwan Terminal Services Corporation	100,000	1,035	-	28	-	-	100,000	1,063	N/A
Taiwan Aerospace Corporation	5,502,847	62,522	-	1,641	-	-	5,502,847	64,163	N/A
Pacific Resources Corporation.	590,625	-	-	4,231	(206,719)	-	383,906	4,231	N/A
Taiwan Incubator SME Development Corporation	7,689,240	65,342	-	939	-	-	7,689,240	66,281	N/A
Evergreen Heavy Industrial Corp. (Malaysia) Berhad	6,678,735	121,213	-	37,607	-	-	6,678,735	158,820	N/A
Dongwei Transportation Co., Ltd.	660,000	7,940	-	436	-	-	660,000	8,376	N/A
Ever Accord Construction Corporation	7,499,972	70,755	-	13,695	-	-	7,499,972	84,450	N/A
UNI Airways Corporation	56,474,992	616,375	-	24,616	-	-	56,474,992	640,991	N/A
Evergreen Security Corporation	10,000	146	-	4	-	-	10,000	150	N/A
		<u>\$ 12,743,751</u>		<u>\$ 93,100</u>		<u>\$ (3,022,566)</u>		<u>\$ 9,814,285</u>	

Note 1: The increase in unrealized (loss) gain on financial assets at FVTOCI was \$93,100 thousand.

Note 2: The decrease in investment from the disposal of financial assets at FVTOCI was 2,300,000 thousand shares which amounted to \$33,253 thousand, and the unrealized (loss) gain on financial assets at FVTOCI was \$2,759,743 thousand, and the investee's capital reduction was 23,163,741 thousand ordinary shares and the amount of \$229,570 thousand was refunded.

EVERGREEN STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2022
 (In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2022		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance at December 31, 2022			Market Value or Net Assets Value	Collateral
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Percentage of Ownership %	Amount		
Hsin Yung Enterprise Corporation (Note 1)	99,266,577	\$ 2,174,561	-	\$ 634	-	\$ (749,185)	\$ 467,235	99,266,577	68.46	\$ 1,893,245	\$ 1,893,245	N/A
Super Max Engineering Enterprise Co., Ltd. (Note 2)	24,147,144	919,737	-	1,611	-	(72,442)	127,847	24,147,144	48.13	976,753	976,753	N/A
Ever Ecove Corporation (Note 3)	80,100,000	763,964	-	-	-	(6)	141,773	80,100,000	50.06	905,731	905,731	N/A
Ming Yu Investment Corporation (Note 4)	10,350,000	<u>248,680</u>	-	<u>83</u>	-	<u>-</u>	<u>2,447</u>	10,350,000	100.00	<u>251,210</u>	<u>251,210</u>	N/A
		<u>\$ 4,106,942</u>		<u>\$ 2,328</u>		<u>\$ (821,633)</u>	<u>\$ 739,302</u>	-		<u>\$ 4,026,939</u>	<u>\$ 4,026,939</u>	

Note 1: The increase in investment based on the net defined benefit was \$634 thousand. The decrease in investment based on the unrealized (losses) gains on financial assets at FVTOCI was \$352,118 thousand.; and based on issued cash dividends was \$397,067 thousand.

Note 2: The increase in investment based on the proportion of net defined benefits was \$1,476 thousand; and on the foreign currency exchange was \$135 thousand. The decrease in investment was based issued cash dividends was \$72,442 thousand.

Note 3: The decrease in investment based on the net defined benefit was \$6 thousand.

Note 4: The increase in investment based on the unrealized (losses) gains on financial assets at FVTOCI was \$83 thousand.

EVERGREEN STEEL CORPORATION

STATEMENT OF TRADE PAYABLES

DECEMBER 31, 2022

(In Thousands of New Taiwan Dollars)

Vendor Name	Amount	Note
Vendor A	\$ 184,494	
Vendor B	66,587	
Vendor C	55,661	
Others	<u>738,881</u>	Note
	<u>\$ 1,045,623</u>	

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

EVERGREEN STEEL CORPORATION

**STATEMENT OF REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Tonnage	Amount
Construction contract revenue	130,599	\$ 8,857,305
Revenue from container repair	-	187,065
Less: Sales return		<u>(4,510)</u>
		<u>\$ 9,039,860</u>

EVERGREEN STEEL CORPORATION**STATEMENT OF OPERATING COST
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Amount
Inventory balance at the beginning of the year	\$ 3,286
Add: Purchases, net	18,822
Less: Inventory balance at the end of the year	(3,330)
Others	<u>(4,318)</u>
Materials consumed	14,460
Direct labor	61,474
Manufacturing expenses	<u>66,951</u>
Manufacturing cost	142,885
Other cost of goods sold	
Add: Sales of material	63
Less: Sales scraps	(502)
Inventory write-downs reversed	<u>(197)</u>
Cost of goods sold for manufacturing sector	<u>142,249</u>
Invested construction cost	7,356,004
Other cost of goods sold	
Add: Others	83,237
Loss on disposal of inventories	10,688
Less: Sales scraps	<u>(76,351)</u>
Cost of goods sold for construction sector	<u>7,373,578</u>
	<u>\$ 7,515,827</u>

EVERGREEN STEEL CORPORATION**STATEMENT OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(In Thousands of New Taiwan Dollars)**

Item	Selling and Marketing Expenses	General and Administrative Expenses	Total
Payroll and related expenses	\$ 209,414	\$ 84,872	\$ 294,286
Insurance expenses	25,353	5,465	30,818
Professional fees	1,038	23,960	24,998
Others (not exceeding 5%)	<u>45,182</u>	<u>42,345</u>	<u>87,527</u>
	<u>\$ 280,987</u>	<u>\$ 156,642</u>	<u>\$ 437,629</u>

EVERGREEN STEEL CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(In Thousands of New Taiwan Dollars)

	2022			2021		
	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	\$ 274,537	\$ 278,105	\$ 552,642	\$ 254,002	\$ 301,434	\$ 555,436
Labor and health insurance	26,394	19,315	45,709	24,613	17,492	42,105
Pension	10,516	11,228	21,744	9,737	10,411	20,148
Board compensation	-	16,181	16,181	-	12,520	12,520
Others	<u>27,344</u>	<u>16,620</u>	<u>43,964</u>	<u>27,582</u>	<u>16,968</u>	<u>44,550</u>
	<u>\$ 338,791</u>	<u>\$ 341,449</u>	<u>\$ 680,240</u>	<u>\$ 315,934</u>	<u>\$ 358,825</u>	<u>\$ 674,759</u>
Depreciation	<u>\$ 148,091</u>	<u>\$ 6,079</u>	<u>\$ 154,170</u>	<u>\$ 138,437</u>	<u>\$ 5,804</u>	<u>\$ 144,241</u>
Amortization	<u>\$ 137</u>	<u>\$ 3,070</u>	<u>\$ 3,207</u>	<u>\$ 271</u>	<u>\$ 3,007</u>	<u>\$ 3,278</u>

Note:

1. As of December 31, 2022 and 2021, the Company had 587 and 596 employees, respectively. Among them 7 directors did not serve concurrently as employees for both years.
2.
 - a. For the years ended December 31, 2022 and 2021, the average labor cost was \$1,145 thousand and \$1,124 thousand, respectively.
 - b. For the years ended December 31, 2022 and 2021, the average salary was \$953 thousand and \$943 thousand, respectively.
 - c. The change in average salary was 1.06%.
 - d. The Company had set an independent director, so it did not have supervisors for the years ended December 31, 2022 and 2021.
 - e. The remuneration policies of the Company's directors, managers and employees are described as follows:
 - 1) General directors and independent directors

In accordance with the Articles of Incorporation and the remuneration payment regulations for directors, if the Company has distributable profit of the current year, the ratio set for directors' remuneration shall not be higher than 2% of distributable profit; and in the total amount of directors' remuneration, individual directors' remuneration shall be allocated according to the degree of each directors' participation in the operation of the Company and the value of their contributions, as well as take into account the general pay levels of the industry.
 - 2) Remuneration of the general manager and the vice general manager is regulated in accordance with the remuneration payment regulations for managerial officers and is paid according to the Company's overall operating situation and the results of personal performance assessment.
 - 3) Fixed remuneration of the Company's employees is paid in accordance with the salary standard of each position and is adjusted according to the Company's revenue status, the general pay levels of the market and personal performance. In addition, variable remuneration such as employees' compensation and year-end bonus is paid in accordance with the Articles of Incorporation or the Company's operating result and personal performance.
 - 4) Remuneration of the directors and managerial officers shall be reviewed by the Company's remuneration committee and approved by the board of directors.