

# **Evergreen Steel Corporation**

**Financial Statements for the  
Years Ended December 31, 2019 and 2018 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, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

### **Basis for Opinion**

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. 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, 2019 are described as follows:

#### **Profit or Loss from the Construction Contracts**

The Company recognizes revenue over time during the construction process. The installation unit or costs incurred due to completed construction output is directly related to the degree of satisfying the performance obligation which requires management's significant judgment and accounting estimates.

Under the IFRSs, construction contracts signed by the Company shall be recognized based on the adopted percentage of completion method. When the construction contract is expected to incur losses, the total contract losses shall be recognized in full immediately. Income recognition from construction depends on the degree of completion of the project which involves subjective judgment which may result in profit or loss or certain risks that are not recognized in the correct period. Therefore, we identified the profit or loss from construction contracts as a key audit matter.

The main audit procedures that we performed for testing the profit or loss from construction contracts are as follows:

1. We inspected the control procedures for estimating construction costs. We spot-checked construction costs of the current input, which included the input of raw material, direct labor calculation and the correctness of cost allocation.
2. We evaluated the adequacy of the percentage of completion method by management. We recalculated revenue generated from construction and confirmed the expected revenue from construction projects and construction contracts (including accessory contract or modification) and evaluated the reasonableness of revenue recognition.

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

Allowance for Impairment Loss of Trade Receivables  
(Including Construction Retention Receivable of Contract Assets)

As of December 31, 2019, trade receivables and construction retention receivables of contract assets accounted for 10% of total assets, which are considered significant, and the allowance for impairment loss of trade receivables involves management's significant judgment on accounting estimates.

Management first assessed individually the impairment of trade receivables, evaluated the allowance for bad debt of clients, and assessed them collectively. The allowance for impairment loss of trade receivables is based on the historical collection experience, and the assumption of the expected credit risk of clients which involve significant judgment. Therefore, we regard the assessment of the allowance for impairment loss of trade receivables as a key audit matter.

The main audit procedures that we performed in respect of the impairment loss of trade receivables included the following:

1. We reviewed the historical payment status of the clients, analyzed the allowance for bad debt, and evaluated the reasonableness of the collection rate of accounts receivable.
2. We assessed the recoverability of the client's overdue trade receivables after the reporting period, and assessed the need of additional allowance for bad debt.
3. We obtained an understanding of the accounting policy on accounts receivable and tested the correctness and completeness of the aging schedule in order to calculate the allowance for bad debt recognized by management.

Refer to Note 4 to the financial statements for the accounting policy on the impairment of trade receivables. Refer to Notes 5 and 9 for critical accounting judgments and key sources of estimation uncertainty.

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

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

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

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

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

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

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Company 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.

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, 2019 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 audit resulting in this independent auditors' report is Ching-Fu Chang and Yung-Hsiang Chao.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 16, 2020

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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 112,038	1	\$ 315,076	2
Financial assets at amortized cost - current (Notes 8 and 30)	3,600	-	9,400	-
Contract assets - current (Notes 4, 23 and 29)	2,598,742	17	2,381,489	16
Notes receivable (Notes 4, 5, 21 and 23)	52,461	1	99,512	1
Trade receivables (Notes 4, 5, 9, 21 and 23)	460,012	3	582,276	4
Trade receivables from related parties (Notes 4, 5, 9, 21, 23 and 29)	42,790	-	36,920	-
Other receivables (Note 29)	13,993	-	13,267	-
Inventories (Notes 4, 5, 10 and 21)	638,739	4	824,383	5
Other current assets (Note 15)	29,865	-	106,579	1
Total current assets	<u>3,952,240</u>	<u>26</u>	<u>4,368,902</u>	<u>29</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through other comprehensive income - non-current (Note 7)	5,467,318	36	5,121,488	34
Investments accounted for using equity method (Notes 4 and 11)	3,290,690	21	3,128,512	21
Property, plant and equipment (Notes 4, 12 and 30)	2,394,501	16	1,858,486	13
Right-of-use assets (Note 13)	26,674	-	-	-
Investment properties (Notes 4, 14 and 30)	11,240	-	307,488	2
Other intangible assets (Note 4)	6,766	-	8,483	-
Deferred tax assets (Notes 4 and 25)	20,231	-	15,647	-
Refundable deposits	4,176	-	11,027	-
Other non-current assets (Note 15)	97,760	1	118,330	1
Total non-current assets	<u>11,319,356</u>	<u>74</u>	<u>10,569,461</u>	<u>71</u>
<b>TOTAL</b>	<u>\$ 15,271,596</u>	<u>100</u>	<u>\$ 14,938,363</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Note 16)	\$ 200,000	1	\$ -	-
Short-term bills payable (Note 16)	400,000	3	-	-
Contract liabilities - current (Notes 4, 21 and 23)	297,508	2	851,886	6
Notes payable, net	226,745	2	341,145	2
Trade payable, net (Notes 17 and 21)	953,879	6	1,009,542	7
Other payables (Notes 18 and 29)	120,753	1	115,485	1
Current tax liabilities (Notes 4 and 25)	-	-	84,749	-
Provisions - current (Note 20)	63,532	-	10,400	-
Lease liabilities - current (Note 13)	9,307	-	-	-
Other current liabilities	33,000	-	9,252	-
Total current liabilities	<u>2,304,724</u>	<u>15</u>	<u>2,422,459</u>	<u>16</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Note 16)	150,000	1	-	-
Deferred tax liabilities (Notes 4 and 25)	65,996	1	65,995	-
Lease liabilities - non-current (Note 13)	16,075	-	-	-
Net defined benefit liabilities - non-current (Notes 4 and 19)	43,336	-	78,011	1
Other non-current liabilities	579	-	2,295	-
Total non-current liabilities	<u>275,986</u>	<u>2</u>	<u>146,301</u>	<u>1</u>
Total liabilities	<u>2,580,710</u>	<u>17</u>	<u>2,568,760</u>	<u>17</u>
<b>EQUITY (Note 22)</b>				
Share capital				
Ordinary shares	3,994,260	26	4,054,260	27
Capital surplus	356,431	3	286,082	2
Retained earnings				
Legal reserve	2,095,929	14	1,997,893	14
Unappropriated earnings	6,192,425	40	6,128,546	41
Total retained earnings	8,288,354	54	8,126,439	55
Other equity				
Exchange differences on translating the financial statements of foreign operations	(921)	-	50	-
Unrealized gain on financial assets at fair value through other comprehensive income	171,807	1	207,846	1
Total other equity	170,886	1	207,896	1
Treasury shares	(119,045)	(1)	(305,074)	(2)
Total equity	<u>12,690,886</u>	<u>83</u>	<u>12,369,603</u>	<u>83</u>
<b>TOTAL</b>	<u>\$ 15,271,596</u>	<u>100</u>	<u>\$ 14,938,363</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, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 23 and 29)	\$ 6,109,403	100	\$ 8,657,027	100
OPERATING COSTS (Notes 13, 20, 24 and 29)	<u>(5,384,088)</u>	<u>(88)</u>	<u>(7,747,357)</u>	<u>(89)</u>
GROSS PROFIT	<u>725,315</u>	<u>12</u>	<u>909,670</u>	<u>11</u>
OPERATING EXPENSES (Notes 20, 24 and 29)				
Selling and marketing expenses	(447,604)	(7)	(420,020)	(5)
General and administrative expenses	(111,538)	(2)	(86,269)	(1)
Expected credit gain	<u>37,907</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total operating expenses	<u>(521,235)</u>	<u>(9)</u>	<u>(506,289)</u>	<u>(6)</u>
PROFIT FROM OPERATIONS	<u>204,080</u>	<u>3</u>	<u>403,381</u>	<u>5</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 24 and 29)	220,708	4	139,068	2
Other gains and (losses) (Note 24)	(23,820)	(1)	17,185	-
Finance costs (Note 24)	(6,402)	-	(4,393)	-
Share of profit of subsidiaries	<u>590,920</u>	<u>10</u>	<u>542,737</u>	<u>6</u>
Total non-operating income and expenses	<u>781,406</u>	<u>13</u>	<u>694,597</u>	<u>8</u>
PROFIT BEFORE INCOME TAX	985,486	16	1,097,978	13
INCOME TAX EXPENSE (Note 25)	<u>(38,049)</u>	<u>(1)</u>	<u>(117,621)</u>	<u>(2)</u>
NET PROFIT FOR THE YEAR	<u>947,437</u>	<u>15</u>	<u>980,357</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)	(3,311)	-	(18,805)	-
Unrealized (loss) gain on investments in equity instruments at fair value through other comprehensive income	(8,364)	-	137,949	2

(Continued)

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019		2018	
	Amount	%	Amount	%
Share of the other comprehensive income (loss) of subsidiaries accounted for using the equity method	\$ 303	-	\$ (802)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Note 25)	663	-	6,823	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations	<u>(971)</u>	<u>-</u>	<u>(12)</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(11,680)</u>	<u>-</u>	<u>125,153</u>	<u>2</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<u>\$ 935,757</u>	<u>15</u>	<u>\$ 1,105,510</u>	<u>13</u>
<b>EARNINGS PER SHARE (Note 26)</b>				
Basic	<u>\$ 2.44</u>		<u>\$ 2.53</u>	
Diluted	<u>\$ 2.44</u>		<u>\$ 2.53</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, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)**

	Share Capital		Capital Surplus	Retained Earnings		Exchange Differences on Translating the Financial Statements of Foreign Operations	Other Equity		Treasury Shares	Total Equity
	Ordinary Shares (In Thousands)	Amount		Legal Reserve	Unappropriated Earnings		Unrealized Valuation Gain on Available-for-sale Financial Asset	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income		
BALANCE AT JANUARY 1, 2018	405,426	\$ 4,054,260	\$ 250,766	\$ 1,878,545	\$ 6,076,493	\$ 62	\$ 84,577	\$ -	\$ (305,074)	\$ 12,039,629
Effect of retrospective application and retrospective restatement	-	-	-	-	-	-	(84,577)	84,521	-	(56)
BALANCE AT JANUARY 1, 2018 AS RESTATED	405,426	4,054,260	250,766	1,878,545	6,076,493	62	-	84,521	(305,074)	12,039,573
Appropriation of 2017 earnings										
Legal reserve	-	-	-	119,348	(119,348)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(810,852)	-	-	-	-	(810,852)
Cash dividends from company's parent	-	-	35,316	-	-	-	-	-	-	35,316
Net profit for the year ended December 31, 2018	-	-	-	-	980,357	-	-	-	-	980,357
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	(12,784)	(12)	-	138,005	-	125,209
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	967,573	(12)	-	138,005	-	1,105,566
Disposal of investments in equity instruments designated as at fair value through other comprehensive income by associates	-	-	-	-	14,680	-	-	(14,680)	-	-
BALANCE AT DECEMBER 31, 2018	405,426	4,054,260	286,082	1,997,893	6,128,546	50	-	207,846	(305,074)	12,369,603
Appropriation of 2018 earnings										
Legal reserve	-	-	-	98,036	(98,036)	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	(810,852)	-	-	-	-	(810,852)
Other change in capital surplus										
Treasury shares transferred to employees	-	-	37,722	-	-	-	-	-	47,815	85,537
Compensation related to treasury shares transferred to employees	-	-	5,432	-	-	-	-	-	-	5,432
Cash dividends from parent company	-	-	35,316	-	-	-	-	-	-	35,316
Net profit for the year ended December 31, 2019	-	-	-	-	947,437	-	-	-	-	947,437
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	(2,345)	(971)	-	(8,364)	-	(11,680)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	945,092	(971)	-	(8,364)	-	935,757
Dividends from claims extinguished by prescription	-	-	93	-	-	-	-	-	-	93
Disposal of treasury shares	-	-	35,447	-	-	-	-	-	34,553	70,000
Retirement of treasury shares	(6,000)	(60,000)	(43,661)	-	-	-	-	-	103,661	-
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	27,675	-	-	(27,675)	-	-
BALANCE AT DECEMBER 31, 2019	399,426	\$ 3,994,260	\$ 356,431	\$ 2,095,929	\$ 6,192,425	\$ (921)	\$ -	\$ 171,807	\$ (119,045)	\$ 12,690,886

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

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 985,486	\$ 1,097,978
Adjustments for:		
Depreciation expenses (investment properties included)	112,871	89,282
Amortization expenses	6,379	7,485
Expected credit loss recognized (reversed) on trade receivables	(37,907)	-
Treasury shares transferred to employees at cost	5,432	-
Finance costs	6,402	4,393
Interest income	(8,426)	(2,395)
Dividend income	(167,427)	(94,973)
Share of profit of subsidiaries	(590,920)	(542,737)
Gain on disposal of property, plant and equipment/investment properties	(1,267)	(12,710)
Impairment loss recognized on investment properties	23,678	-
Realized gain on the transactions with subsidiaries	(1,273)	(1,273)
Loss from disasters	-	3,082
Gain on lease modification	(50)	-
Changes in operating assets and liabilities		
Increase in contract assets	(217,253)	(123,370)
Decrease in notes receivable	47,051	128,837
Decrease in trade receivables	154,301	637,403
Decrease in other receivables	2,095	28,630
Decrease in inventories	185,644	100,707
Decrease (increase) in other current assets	76,714	(59,842)
(Decrease) increase in contract liabilities	(554,378)	32,094
(Decrease) increase in notes payables	(114,400)	25,280
Decrease in trade payables	(55,663)	(22,076)
Increase in other payables	5,130	2,277
Increase in provisions	53,132	10,400
(Decrease) increase in deferred revenue	(93)	648
Increase (decrease) in other current liabilities	23,748	(118,478)
Decrease in net defined benefit liabilities	(37,986)	(22,832)
Cash generated from (used in) operations	(98,980)	1,167,810
Interest received	8,433	2,443
Interest paid	(6,264)	(4,396)
Income tax paid	(129,546)	(77,750)
Net cash (used in) generated from operating activities	<u>(226,357)</u>	<u>1,088,107</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of financial assets at amortized cost	5,800	-
Purchase of financial assets at fair value through other comprehensive income	(399,888)	(22,065)
Proceeds from sale of financial assets at fair value through other comprehensive income	72,254	289,573

(Continued)

# EVERGREEN STEEL CORPORATION

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Payments for property, plant and equipment	\$ (372,438)	\$ (150,724)
Payments for intangible assets	(4,662)	(6,537)
Proceeds from disposal of property, plant and equipment	419	54,180
Proceeds from disposal of investment properties	8,077	-
Decrease in refundable deposits	6,851	2,371
Decrease (increase) in other non-current assets	20,570	(53,757)
Acquisition of investments accounted for using equity the method	(175,400)	(700,000)
Other dividends received	167,427	94,973
Dividends received from subsidiaries	<u>684,287</u>	<u>468,653</u>
Net cash generated from (used in) investing activities	<u>13,297</u>	<u>(23,333)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from (repayments of) bills payable	200,000	(150,000)
Proceeds from (repayments of) short-term borrowings	400,000	(50,000)
Proceeds from long-term borrowings	150,000	-
Decrease in guarantee deposits	(1,623)	-
Repayment of principal portion of lease liabilities	(13,133)	-
Dividends paid to owners of the Company	(810,852)	(810,852)
Treasury shares sold to employees	85,537	-
Dividends from claims extinguished by prescription	<u>93</u>	<u>-</u>
Net cash generated from (used in) financing activities	<u>10,022</u>	<u>(1,010,852)</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(203,038)</b>	<b>53,922</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b><u>315,076</u></b>	<b><u>261,154</u></b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b><u>\$ 112,038</u></b>	<b><u>\$ 315,076</u></b>

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, 2019 AND 2018

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

---

### 1. GENERAL INFORMATION

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

In July 2018, the Company decided to transfer steel bars division to steel structures division.

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

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

The 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 16, 2020.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Company’s accounting policies:

- IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

### Definition of a lease

The Company elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Company as lessee

The Company recognizes right-of-use assets and lease liabilities for all leases on the balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the statements of comprehensive income, The Company presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts, were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the statements of cash flows. Leased assets and finance lease payables were recognized on the balance sheets for contracts classified as finance leases.

The Company elects to apply IFRS 16 retrospectively. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities since the commencement date. The Company applies IAS 36 to all right-of-use assets.

The Company also applies the following practical expedients:

- 1) The Company applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Company accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Company uses hindsight, such as in determining lease terms, to measure lease liabilities.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.1%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 31,816
Less: Recognition exemption for short-term leases and leases of low-value assets	<u>(1,620)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 30,196</u>
Discounted amount using the incremental borrowing rate recognized on January 1, 2019	<u>\$ 29,718</u>

The Company as lessor

The Company does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Right-of-use assets	\$ -	\$ 29,718	\$ 29,718
Total effect on assets	\$ -	\$ 29,718	\$ 29,718
Lease liabilities - current	\$ -	\$ 10,004	\$ 10,004
Lease liabilities - non-current	-	19,714	19,714
Total effect on liabilities	\$ -	\$ 29,718	\$ 29,718

- b. The IFRSs endorsed by the FSC for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

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

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Statement of compliance

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

- b. Basis of preparation

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

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

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

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

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period; and
- 3) Liabilities for which the Company does not have an unconditional right to defer settlement for at least 12 months after the reporting period.

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

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

d. Foreign currencies

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

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

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

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

For the purpose of presenting the financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries 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.

g. Property, plant and equipment

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

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

h. Investment properties

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

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

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

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

i. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

j. Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible 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.

Cash equivalents include time deposits with original maturities within 12 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

##### ii. Investments in equity instruments at FVTOCI

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

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

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

b) Impairment of financial assets and contract assets

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

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

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

The impairment loss of all financial assets is recognized in profit or loss by a reduction in their carrying amounts through a loss allowance account.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

### 3) Financial liabilities

#### a) Subsequent measurement

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

#### b) Derecognition of financial liabilities

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

### 1. Provisions

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

#### 1) Onerous contracts

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

#### 2) Warranties

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

### m. Revenue recognition

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

#### 1) Revenue from the sale of goods

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

#### 2) Revenue from the rendering of services

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

### 3) Construction contracts revenue

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

### n. Leases

#### 2019

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.

## 2018

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.

### 1) The Company as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

### 3) Leasehold land and building for own use

When a lease includes both land and building elements, the Company assesses the classification of each element separately as a finance or an operating lease based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the lessee. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with its lease classification. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases; in which case, the entire lease is classified as an operating lease.

## 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 service.

## 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

Net defined benefit liability represents the actual deficit in the Company's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

## p. Share-based payment arrangements

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

## q. Taxation

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

### 1) Current tax

According to the Income Tax Law, 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.

a. Estimated impairment of financial assets

The provision for impairment of trade receivables, accounts receivables and contract asset is based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Recognition and measurement of defined benefit plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

d. Construction contracts

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

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

## 6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 2,815	\$ 2,800
Checking accounts and demand deposits	43,223	242,476
Cash equivalent		
Time deposits	<u>66,000</u>	<u>69,800</u>
	<u>\$ 112,038</u>	<u>\$ 315,076</u>

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Time deposits	1.065%	1.055%-1.065%

## 7. FINANCIAL ASSETS AT FVTOCI

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Non-current</u>		
Domestic investments		
Listed shares and emerging market shares	\$ 4,479,292	\$ 4,222,459
Unlisted shares	840,467	699,029
Foreign investments		
Unlisted shares	<u>147,559</u>	<u>200,000</u>
	<u>\$ 5,467,318</u>	<u>\$ 5,121,488</u>

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

The Company sold its investments to diversify risks in 2019 and 2018, and transferred a gain of \$27,675 thousand and \$14,602 thousand, respectively, from other equity to retained earnings.

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Pledge deposits	\$ <u>3,600</u>	\$ <u>9,400</u>

- a. The ranges of interest rates for pledge deposits were approximately 1.065% and 0.13%-1.065% per annum as of December 31, 2019 and 2018, respectively.
- b. Refer to Note 30 for information relating to investments in financial assets at amortized cost pledged as security.

## 9. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 502,802	\$ 633,245
Less: Allowance for impairment loss	<u>-</u>	<u>(14,049)</u>
	<u>\$ 502,802</u>	<u>\$ 619,196</u>

The average credit period on sales of goods was 0 to 120 days. In determining the recoverability of a trade receivable, the Company considers changes in the credit quality of the trade receivable since the date of credit was initially granted to the end of the reporting period. Trade receivables included retentions receivable from construction contracts which are classified under current and non-current in the operating cycle. Refer to Note 21 for the amount expected to be recovered or settled within one year and more than one year after the reporting period on the related assets and liabilities.

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 by reference to 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 information 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 730 days past due, whichever occurs earlier. For trade receivables that have been write off, 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 loss allowance of trade receivables based on the Company's provision matrix.

December 31, 2019

	<b>Amount Without Sign of Default</b>				<b>Amount with Sign of Default</b>	<b>Total</b>
	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>		
Expected credit loss rate	-	-	-	-	-	
Gross carrying amount	\$ 500,686	\$ 1,922	\$ -	\$ 194	\$ -	\$ 502,802
Loss allowance (Lifetime ECLs)	-	-	-	-	-	-
Amortized cost	<u>\$ 500,686</u>	<u>\$ 1,922</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ -</u>	<u>\$ 502,802</u>

December 31, 2018

	<b>Amount Without Sign of Default</b>				<b>Amount with Sign of Default</b>	<b>Total</b>
	<b>0 to 60 Days</b>	<b>61 to 90 Days</b>	<b>91 to 120 Days</b>	<b>Over 120 Days</b>		
Expected credit loss rate	1%-2%	1%-2%	1%-2%	1%-2%	100%	
Gross carrying amount	\$ 619,699	\$ 9,539	\$ 23	\$ 59	\$ 3,925	\$ 633,245
Loss allowance (Lifetime ECLs)	<u>(9,969)</u>	<u>(154)</u>	<u>-</u>	<u>(1)</u>	<u>(3,925)</u>	<u>(14,049)</u>
Amortized cost	<u>\$ 609,730</u>	<u>\$ 9,385</u>	<u>\$ 23</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 619,196</u>

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

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 14,049	\$ 62,984
Adjustments on initial application of IFRS 15 (transferred to contract assets)	-	(48,807)
Less: Net re-measurement of loss allowance	(14,049)	-
Amounts written off	<u>-</u>	<u>(128)</u>
Balance at December 31	<u>\$ -</u>	<u>\$ 14,049</u>

**10. INVENTORIES**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Raw materials	\$ 629,464	\$ 814,460
Supplies	7,299	9,923
Inventory in transit	<u>1,976</u>	<u>-</u>
	<u>\$ 638,739</u>	<u>\$ 824,383</u>

The cost of inventories, excluding the cost from steel structure industry, recognized as operating cost for the years ended December 31, 2019 and 2018 was \$139,109 thousand and \$2,880,828 thousand, respectively.

In July 2018, the Company decided to transfer steel bars division to steel structures division, leading loss of \$20,779 thousand from the effect of original sales contract to be recognized as operating costs.

## 11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

### Investments in Subsidiaries

Name of Subsidiaries	December 31	
	2019	2018
Hsin Yung Enterprise Corporation	\$ 1,643,400	\$ 1,609,844
Super Max Engineering Enterprise Co., Ltd.	728,987	615,396
Ming Yu Investment Corporation	237,704	212,694
Ever Ecove Corporation	<u>680,599</u>	<u>690,578</u>
	<u>\$ 3,290,690</u>	<u>\$ 3,128,512</u>
	Proportion of Ownership and Voting Rights	
	December 31	
	2019	2018
Hsin Yung Enterprise Corporation	68.46%	68.46%
Super Max Engineering Enterprise Co., Ltd.	48.12%	48.12%
Ming Yu Investment Corporation	100.00%	100.00%
Ever Ecove Corporation	70.00%	70.00%

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, 2019 and 2018 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, 2018	\$ 1,178,429	\$ 123,646	\$ 1,133,241	\$ 1,064,773	\$ 61,210	\$ 45,024	\$ 3,606,323
Additions	-	3,090	1,230	6,010	1,770	736	12,836
Disposals	-	-	(8,936)	(612,286)	(6,790)	(1,860)	(629,872)
Reclassification	-	-	12,194	117,346	7,863	485	137,888
Balance at December 31, 2018	<u>\$ 1,178,429</u>	<u>\$ 126,736</u>	<u>\$ 1,137,729</u>	<u>\$ 575,843</u>	<u>\$ 64,053</u>	<u>\$ 44,385</u>	<u>\$ 3,127,175</u>
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2018	\$ -	\$ 117,777	\$ 754,175	\$ 825,058	\$ 43,324	\$ 28,370	\$ 1,768,704
Disposals	-	-	(8,665)	(569,858)	(6,790)	(1,699)	(587,012)
Depreciation expenses	-	1,165	27,034	47,431	5,550	5,817	86,997
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 118,942</u>	<u>\$ 772,544</u>	<u>\$ 302,631</u>	<u>\$ 42,084</u>	<u>\$ 32,488</u>	<u>\$ 1,268,689</u>
Carrying amounts at December 31, 2018	<u>\$ 1,178,429</u>	<u>\$ 7,794</u>	<u>\$ 365,185</u>	<u>\$ 273,212</u>	<u>\$ 21,969</u>	<u>\$ 11,897</u>	<u>\$ 1,858,486</u>
<u>Cost</u>							
Balance at January 1, 2019	\$ 1,178,429	\$ 126,736	\$ 1,137,729	\$ 575,843	\$ 64,053	\$ 44,385	\$ 3,127,175
Additions	-	-	33,740	228	7,189	6,575	47,732
Disposals	-	-	(20,671)	(10,177)	(7,456)	(717)	(39,021)
Reclassification	-	32,923	111,436	176,451	-	3,895	324,705
Transfers from investment properties	196,670	-	155,753	-	-	-	352,423
Balance at December 31, 2019	<u>\$ 1,375,099</u>	<u>\$ 159,659</u>	<u>\$ 1,417,987</u>	<u>\$ 742,345</u>	<u>\$ 63,786</u>	<u>\$ 54,138</u>	<u>\$ 3,813,014</u>

(Continued)

	Freehold Land	Land Improvements	Buildings	Machinery and Equipment	Transportation Equipment	Other Equipment	Total
<u>Accumulated depreciation and impairment</u>							
Balance at January 1, 2019	\$ -	\$ 118,942	\$ 772,544	\$ 302,631	\$ 42,084	\$ 32,488	\$ 1,268,689
Disposals	-	-	(15,195)	(8,462)	(7,456)	(717)	(31,830)
Depreciation expenses	-	3,033	30,233	53,875	6,521	5,087	98,749
Transfers from investment properties	-	-	82,905	-	-	-	82,905
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 121,975</u>	<u>\$ 870,487</u>	<u>\$ 348,044</u>	<u>\$ 41,149</u>	<u>\$ 36,858</u>	<u>\$ 1,418,513</u>
Carrying amounts at December 31, 2019	<u>\$ 1,375,099</u>	<u>\$ 37,684</u>	<u>\$ 547,500</u>	<u>\$ 394,301</u>	<u>\$ 22,637</u>	<u>\$ 17,280</u>	<u>\$ 2,394,501</u>

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

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

### 13. LEASE ARRANGEMENTS

#### a. Right-of-use assets - 2019

	For the Year Ended December 31, 2019			
	Land	Buildings	Other Equipment	Total
Balance at January 1, 2019, as restated	\$ 13,060	\$ 13,647	\$ 3,011	\$ 29,718
Additions	17,945	-	-	17,945
Termination	-	(9,098)	-	(9,098)
Depreciation expense	<u>(6,338)</u>	<u>(4,549)</u>	<u>(1,004)</u>	<u>(11,891)</u>
Balance at December 31, 2019	<u>\$ 24,667</u>	<u>\$ -</u>	<u>\$ 2,007</u>	<u>\$ 26,674</u>

#### b. Lease liabilities - 2019

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

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

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

d. Other lease information

2019

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

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>December 31, 2018</b>
Not later than 1 year	\$ 10,004
Later than 1 year and not later than 5 years	<u>20,192</u>
	<u>\$ 30,196</u>

#### 14. INVESTMENT PROPERTIES

	<b>Amount</b>
<u>Cost</u>	
Balance at January 1, 2018	\$ 514,076
Additions	<u>-</u>
Balance at December 31, 2018	<u>\$ 514,076</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ (204,303)
Depreciation expenses	<u>(2,285)</u>
Balance at December 31, 2018	<u>\$ (206,588)</u>
Carrying amounts at December 31, 2018	<u>\$ 307,488</u>

(Continued)

	<b>Amount</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ 514,076
Disposals	(10,658)
Transfers to property, plant and equipment	<u>(352,423)</u>
Balance at December 31, 2019	<u>\$ 150,995</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ (206,588)
Impairment losses	(23,678)
Disposals	9,837
Depreciation expenses	(2,231)
Transfers to property, plant and equipment	<u>82,905</u>
Balance at December 31, 2019	<u>\$ (139,755)</u>
Carrying amounts at December 31, 2019	<u>\$ 11,240</u> (Concluded)

The investment properties are depreciated using the straight-line method over 6-50 years.

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

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Fair value	<u>\$ 18,580</u>	<u>\$ 451,714</u>

All of the Company's investment property were held under freehold interests. The investment properties pledged as collateral for bank borrowings were set out in Note 30.

## 15. OTHER ASSETS

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Prepaid expense	\$ 11,884	\$ 13,609
Prepayments	<u>17,981</u>	<u>92,970</u>
	<u>\$ 29,865</u>	<u>\$ 106,579</u>
<u>Non-current</u>		
Prepayments for equipment	<u>\$ 97,760</u>	<u>\$ 118,330</u>



## 16. BORROWINGS

### a. Short-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Unsecured borrowings</u>		
Line of credit borrowings	\$ 200,000	\$ -

The range of effective interest rate on bank loans was 0.95% per annum as of December 31, 2019.

### b. Short-term bills payable

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Commercial paper	\$ 400,000	\$ -

Outstanding short-term bills payable were as follows:

#### December 31, 2019

<b>Promissory Institution</b>	<b>Nominal Amount</b>	<b>Discount Amount</b>	<b>Carrying Amount</b>	<b>Interest Rate</b>
<u>Commercial paper</u>				
China Bills Finance Corporation	\$ 200,000	\$ -	\$ 200,000	0.918%
Mega Bills Finance Co., Ltd.	<u>200,000</u>	<u>-</u>	<u>200,000</u>	0.918%
	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 400,000</u>	

#### December 31, 2018

None.

### c. long-term borrowings

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Secured borrowings</u>		
Bank loans (Note 30)	\$ 150,000	\$ -
Less: Current portions	<u>-</u>	<u>-</u>
	<u>\$ 150,000</u>	<u>\$ -</u>

- 1) The Company borrowed \$100,000 thousand from Taiwan Business Bank which was secured by land and building mortgage guarantee. The loan term is from January 18, 2019 to January 16, 2024. Starting from the actual date of disbursement, the Company paid interest monthly during the first 3 years. From the fourth year, principal with interest will be paid monthly for 2 years. The Company made a full repayment of the debt in advance in January 2020. The effective interest rate was 1.195% per annum as of December 31, 2019.

- 2) The Company borrowed \$50,000 thousand from Taiwan Cooperative Bank which was secured by land, buildings mortgage guarantee. The loan term is from January 18, 2019 to January 18, 2021. Starting from the actual date of disbursement, the Company make monthly amortized payment on principal and interest. The Company made a full repayment of the debt in advance in January 2020. The effective interest rate was 1.2% per annum as of December 31, 2019.

## 17. TRADE PAYABLES

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

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

## 18. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Other payables		
Payable for transportation fees	\$ 30,496	\$ 26,037
Payable for annual leave	24,533	23,051
Payable for repairs and maintenance	13,051	9,039
Payable for employees' compensation and remuneration of directors and supervisors	12,407	12,659
Payable for insurance expenses	8,380	9,967
Payable for salaries or bonus	3,123	2,712
Payable for professional fees	2,919	2,540
Others	<u>25,844</u>	<u>29,480</u>
	<u>\$ 120,753</u>	<u>\$ 115,485</u>

## 19. 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 Law 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 balance sheets in respect of the Company's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 355,637	\$ 364,248
Fair value of plan assets	<u>(312,301)</u>	<u>(286,237)</u>
Net defined benefit liabilities	<u>\$ 43,336</u>	<u>\$ 78,011</u>

Movements in net defined benefit liabilities were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	\$ 361,486	\$ (279,448)	\$ 82,038
Service cost			
Current service cost	6,304	-	6,304
Net interest expense (income)	<u>4,066</u>	<u>(3,304)</u>	<u>762</u>
Recognized in profit or loss	<u>10,370</u>	<u>(3,304)</u>	<u>7,066</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,646)	(7,646)
Actuarial loss - changes in demographic assumptions	12,037	-	12,037
Actuarial loss - changes in financial assumptions	3,908	-	3,908
Actuarial loss - experience adjustments	<u>10,506</u>	<u>-</u>	<u>10,506</u>
Recognized in other comprehensive income	<u>26,451</u>	<u>(7,646)</u>	<u>18,805</u>
Contributions from the employer	-	(28,259)	(28,259)
Benefits paid	(32,420)	32,420	-
Company paid	<u>(1,639)</u>	<u>-</u>	<u>(1,639)</u>
Balance at December 31, 2018	<u>\$ 364,248</u>	<u>\$ (286,237)</u>	<u>\$ 78,011</u> (Continued)

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

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

	<b><u>For the Year Ended December 31</u></b>	
	<b><u>2019</u></b>	<b><u>2018</u></b>
Operating cost	\$ 2,495	\$ 3,264
Operating expenses	<u>3,547</u>	<u>3,802</u>
	<u>\$ 6,042</u>	<u>\$ 7,066</u>

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

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

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)	0.75%	1%
Expected rate(s) of salary increase	2%	2%
Turnover rate	3%-7.5%	4%-10%

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rate(s)		
0.25% increase	<u>\$ (7,921)</u>	<u>\$ (8,136)</u>
0.25% decrease	<u>\$ 8,195</u>	<u>\$ 8,425</u>
Expected rate(s) of salary increase		
0.25% increase	<u>\$ 7,954</u>	<u>\$ 8,196</u>
0.25% decrease	<u>\$ (7,730)</u>	<u>\$ (7,957)</u>

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

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expected contributions to the plan for the next year	<u>\$ 27,427</u>	<u>\$ 27,574</u>
Average duration of the defined benefit obligation	9.2 years	9.3 years

## 20. PROVISIONS

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Warranties	\$ 56,115	\$ -
Onerous contract - loss on construction	<u>7,417</u>	<u>10,400</u>
	<u>\$ 63,532</u>	<u>\$ 10,400</u>

## 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, 2019</u>			
Assets			
Notes receivable	\$ 52,443	\$ -	\$ 52,443
Trade receivables	478,972	-	478,972
Inventory	635,713	-	635,713
Contracts assets - current	<u>2,031,747</u>	<u>566,995</u>	<u>2,598,742</u>
	<u>\$ 3,198,875</u>	<u>\$ 566,995</u>	<u>\$ 3,765,870</u>
Liabilities			
Notes payable	\$ 6,655	\$ -	\$ 6,655
Trade payables	763,468	179,249	942,717
Contracts liabilities - current	<u>241,181</u>	<u>56,327</u>	<u>297,508</u>
	<u>\$ 1,011,304</u>	<u>\$ 235,576</u>	<u>\$ 1,246,880</u>
<u>December 31, 2018</u>			
Assets			
Notes receivable	\$ 99,257	\$ -	\$ 99,257
Trade receivables	579,577	-	579,577
Inventory	821,362	-	821,362
Contracts assets - current	<u>1,509,502</u>	<u>871,987</u>	<u>2,381,489</u>
	<u>\$ 3,009,698</u>	<u>\$ 871,987</u>	<u>\$ 3,881,685</u>
Liabilities			
Trade payables	\$ 676,304	\$ 217,854	\$ 894,158
Contracts liabilities - current	<u>632,907</u>	<u>218,979</u>	<u>851,886</u>
	<u>\$ 1,309,211</u>	<u>\$ 436,833</u>	<u>\$ 1,746,044</u>

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Number of shares authorized (in thousands)	<u>440,000</u>	<u>440,000</u>
Shares authorized	<u>\$ 4,400,000</u>	<u>\$ 4,400,000</u>
Number of shares issued and fully paid (in thousands)	<u>399,426</u>	<u>405,426</u>
Shares issued	<u>\$ 3,994,260</u>	<u>\$ 4,054,260</u>

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

b. Capital surplus

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
May be used to offset a deficit, distributed as <u>cash dividends, or transferred to share capital</u>		
Arising from treasury share transactions (1)	\$ 301,607	\$ 233,346
Arising from consolidation excess (2)	51,956	52,736
Arising from expired employee share options (1)	2,775	-
Arising from unclaimed dividend (1)	<u>93</u>	<u>-</u>
	<u>\$ 356,431</u>	<u>\$ 286,082</u>

- 1) Such capital surplus may only be used to offset a deficit.
- 2) 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.

c. Retained earnings and dividend policy

Under the dividend policy as set forth in the Articles, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors and supervisors before and after amendment, refer to f. employee benefits expense in Note 24.

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 2018 and 2017 which were approved in the shareholders' meetings on May 30, 2019 and May 29, 2018, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Legal reserve	\$ 98,036	\$ 119,348		
Cash dividends	810,852	810,852	\$ 2	\$ 2

The appropriations of earnings for 2019 will proposed by the shareholders' meetings on June 18, 2020. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 94,744	
Cash dividends	793,071	\$ 2

d. Treasury shares

	<b>Shares Transferred to Employees (In Thousands of Shares)</b>	<b>Shares Held by Subsidiary - Ming Yu Investment Corporation (In Thousands of Shares)</b>	<b>Total (In Thousands of Shares)</b>
Number of shares at January 1, 2019	-	17,658	17,658
Additions	5,658	-	5,658
Less	<u>(2,767)</u>	<u>(13,658)</u>	<u>(16,425)</u>
Number of shares at December 31, 2019	<u>2,891</u>	<u>4,000</u>	<u>6,891</u>
Carrying amount at December 31, 2019	<u>\$ 49,938</u>	<u>\$ 69,107</u>	<u>\$ 119,045</u>
Number of shares at January 1, 2018	-	17,658	17,658
Additions	-	-	-
Less	<u>-</u>	<u>-</u>	<u>-</u>
Number of shares at December 31, 2018	<u>-</u>	<u>17,658</u>	<u>17,658</u>
Carrying amount at December 31, 2018	<u>\$ -</u>	<u>\$ 305,074</u>	<u>\$ 305,074</u>

- 1) For the year ended December 31, 2019, the Company's shares are held by its subsidiary - Ming Yu Investment Corporation. Ming Yu Investment Corporation reduced its capital by returning 6,000 thousand shares to the Company and selling 5,658 thousand shares and 2,000 thousand shares, respectively, to the Company and third parties. The above mentioned shares are 13,658 thousand.
- 2) For the year ended December 31, 2019, the Company repurchased 5,658 thousand shares. The purpose of the repurchase was to transfer the shares to employees from the subsidiary - Ming Yu Investment Corporation, and the employees actually executed 2,767 thousand shares. For the year ended December 31, 2019, the treasury shares transferred to employees was \$5,432 thousand and the capital surplus - treasury shares was \$37,722 thousand which is recognized after the implementation and deduction of related transaction costs.

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



## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from the sale of goods	\$ 23,065	\$ 2,759,927
Revenue from containers repair	141,072	142,827
Construction contract revenue	<u>5,945,266</u>	<u>5,754,273</u>
	<u>\$ 6,109,403</u>	<u>\$ 8,657,027</u>

### a. Contract balances

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes and trade receivables (include related parties)	<u>\$ 555,263</u>	<u>\$ 718,708</u>
Contract assets		
Properties construction	\$ 1,545,480	\$ 1,184,287
Retention receivable	1,078,211	1,246,009
Less: Allowance for impairment loss	<u>(24,949)</u>	<u>(48,807)</u>
Contract assets - current	<u>\$ 2,598,742</u>	<u>\$ 2,381,489</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 48,807	\$ -
Adjustments on initial application of IFRS 15 (transferred to contract assets)	-	48,807
Less: Net remeasurement of loss allowance	<u>(23,858)</u>	<u>-</u>
Balance at December 31	<u>\$ 24,949</u>	<u>\$ 48,807</u>
	<b>December 31</b>	<b>December 31</b>
	<b>2019</b>	<b>2018</b>
Contract liabilities		
Properties construction	<u>\$ 297,508</u>	<u>\$ 851,886</u>

b. Partially completed contracts

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

	<b>December 31, 2019</b>
Property construction contracts	
In 2020	\$ 7,592,530
In 2021	4,354,436
From 2022 to after years	<u>475,851</u>
	<u>\$ 12,422,817</u>
	<b>December 31, 2018</b>
Property construction contracts	
In 2019	\$ 6,430,422
In 2020	4,173,103
From 2021 to after years	<u>1,412,944</u>
	<u>\$ 12,016,469</u>

**24. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS**

**Net Profit (Loss) from Continuing Operations**

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Dividends	\$ 167,427	\$ 94,973
Rental income	13,435	15,760
Interest income	8,426	2,395
Others (Note 29)	<u>31,420</u>	<u>25,940</u>
	<u>\$ 220,708</u>	<u>\$ 139,068</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Gain on disposal of property, plant and equipment/investment properties	\$ 1,267	\$ 12,710
Net foreign exchange gains	87	152
Impairment loss on investment properties	(23,678)	-
Compensation income	-	8,211
Loss from disaster	-	(2,630)
Others	<u>(1,496)</u>	<u>(1,258)</u>
	<u>\$ (23,820)</u>	<u>\$ 17,185</u>

c. Finance costs

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
Interest on bank loans	\$ 6,061	\$ 4,393
Interest on lease liabilities	<u>341</u>	<u>-</u>
	<u>\$ 6,402</u>	<u>\$ 4,393</u>

d. Depreciation and amortization

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 98,749	\$ 86,997
Investment property	2,231	2,285
Right-of-use assets	11,891	-
Intangible assets	<u>6,379</u>	<u>7,485</u>
	<u>\$ 119,250</u>	<u>\$ 96,767</u>
 An analysis of deprecation by function		
Operating costs	\$ 96,177	\$ 81,929
Operating expenses	<u>16,694</u>	<u>7,353</u>
	<u>\$ 112,871</u>	<u>\$ 89,282</u>
 An analysis of amortization by function		
Operating costs	\$ 3,004	\$ 4,197
Operating expenses	<u>3,375</u>	<u>3,288</u>
	<u>\$ 6,379</u>	<u>\$ 7,485</u>

e. Employee benefits expense

**For the Year Ended December 31**

	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 12,963	\$ 12,271
Defined benefit plans (Note 19)	6,042	7,066
Other employee benefits	<u>481,574</u>	<u>470,495</u>
Total employee benefits expense	<u>\$ 500,579</u>	<u>\$ 489,832</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 227,146	\$ 236,710
Operating expenses	<u>273,433</u>	<u>253,122</u>
	<u>\$ 500,579</u>	<u>\$ 489,832</u>

f. Employees' compensation and remuneration of directors and supervisors for 2019 and 2018

In compliance with the Company's Articles of Incorporation, the amendments stipulate the distribution of employees' compensation and remuneration of directors and supervisors at rates of no less than 0.5% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors and supervisors.

Accrual rate

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Employees' compensation	0.54%	0.51%
Remuneration of directors and supervisors	0.70%	0.63%

Amount

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
	<u>Cash</u>	<u>Cash</u>
Employees' compensation	\$ 5,407	\$ 5,659
Remuneration of directors and supervisors	7,000	7,000

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

The Company held a board of directors' meeting on March 14, 2019 and March 20, 2018, and those meetings resulted in the actual amounts of the remuneration of directors and supervisors paid for 2018 and 2017 to differ from the amounts recognized in the financial statements for the years ended December 31, 2018 and 2017, respectively. The differences were adjusted to profit and loss in the following year.

	<u>For the Year Ended December 31</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>	<u>Employees' Compensation</u>	<u>Remuneration of Directors and Supervisors</u>
Amounts approved in the board of directors' meeting	<u>\$ 5,659</u>	<u>\$ 7,000</u>	<u>\$ 6,356</u>	<u>\$ 7,000</u>
Amounts recognized in the annual financial statements	<u>\$ 5,659</u>	<u>\$ 7,000</u>	<u>\$ 6,356</u>	<u>\$ 10,000</u>

## 25. INCOME TAXES RELATING TO CONTINUING OPERATIONS

- a. Major components of tax expense (gain) recognized in profit or loss

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 41,842	\$ 89,061
Income tax on an additional tax of unappropriated earnings	-	23,820
Adjustments for prior years	<u>127</u>	<u>5</u>
	41,969	112,886
Deferred tax		
In respect of the current year	(3,920)	4,066
Effects of tax rate changes	<u>-</u>	<u>669</u>
Income tax expense recognized in profit or loss	<u>\$ 38,049</u>	<u>\$ 117,621</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax from continuing operations	<u>\$ 985,486</u>	<u>\$ 1,097,978</u>
Income tax expense calculated at the statutory rate	\$ 197,097	\$ 219,596
Nondeductible expenses in determining taxable income	6,220	(23)
Tax-exempt income	(153,120)	(127,542)
Income tax on an additional tax of unappropriated earnings	-	23,820
Unrecognized deductible temporary differences	(12,275)	1,096
Effects of tax rate changes	-	669
Adjustments for prior years' tax	<u>127</u>	<u>5</u>
Income tax expense recognized in profit or loss	<u>\$ 38,049</u>	<u>\$ 117,621</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Company has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

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, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 11,037	\$ (7,598)	\$ 663	\$ 4,102
Payable for annual leave	4,610	296	-	4,906
Provision for warranties	<u>-</u>	<u>11,223</u>	<u>-</u>	<u>11,223</u>
	<u>\$ 15,647</u>	<u>\$ 3,921</u>	<u>\$ 663</u>	<u>\$ 20,231</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995
Unrealized exchange gain	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
	<u>\$ 65,995</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 65,996</u>

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Recognized in Other Compre- hensive Income</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Defined benefit plans	\$ 10,066	\$ (5,852)	\$ 6,823	\$ 11,037
Payable for annual leave	<u>3,493</u>	<u>1,117</u>	<u>-</u>	<u>4,610</u>
	<u>\$ 13,559</u>	<u>\$ (4,735)</u>	<u>\$ 6,823</u>	<u>\$ 15,647</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Reserve for land value increment tax	\$ 65,995	\$ -	\$ -	\$ 65,995

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Deductible temporary differences		
Bad debts in excess of the limit	\$ 486,040	\$ 520,495
Impairment loss on financial assets	145,079	145,079
Loss on market price decline	17,119	41,982
Unrealized gain on the transactions with subsidiaries	<u>3,797</u>	<u>5,855</u>
	<u>\$ 652,035</u>	<u>\$ 713,411</u>

- d. Income tax assessments

The income tax of the Company through 2017 have been assessed by the tax authorities.

## 26. EARNINGS PER SHARE

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

Net profit for the year

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Profit for the year attributable to owners of the Company	<u>\$ 947,437</u>	<u>\$ 980,357</u>

Shares

Unit: In Thousand Shares

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Weighted average number of ordinary shares used in the computation of basic earnings per share	388,400	387,768
Effect of potentially dilutive ordinary shares:		
Employees' compensation	<u>202</u>	<u>221</u>
Weighted average number of ordinary shares outstanding in the computation of diluted earnings per share	<u>388,602</u>	<u>387,989</u>

If the Company offered to settle the compensation paid to employees in cash or shares, the Company assumed that the entire amount of the compensation will be settled in shares, and the resulting potential shares were 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 that are 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 that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

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

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

##### Fair value hierarchy as at December 31, 2018

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets at FVTOCI				
Investments in equity instruments				
Listed shares and emerging market shares	\$ 4,222,459	\$ -	\$ -	\$ 4,222,459
Unlisted shares - ROC	-	-	699,029	699,029
Unlisted shares in other country	-	-	200,000	200,000
	<u>\$ 4,222,459</u>	<u>\$ -</u>	<u>\$ 899,029</u>	<u>\$ 5,121,488</u>

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



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

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Financial assets at amortized cost (1)	\$ 686,242	\$ 1,067,478
Financial assets at FVTOCI		
Equity instruments	5,467,318	5,121,488
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (2)	1,999,733	1,415,194

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

d. Financial risk management objectives and policies

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

1) Market risk

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

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

a) Foreign currency risk

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

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

#### Sensitivity analysis

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

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

#### b) Interest rate risk

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

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

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Fair value interest rate risk		
Financial assets	\$ -	\$ 5,800
Financial liabilities	600,000	-
Cash flow interest rate risk		
Financial assets	71,492	75,348
Financial liabilities	150,000	-

#### Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's pre-tax profit for the years ended December 31, 2019 and 2018 would increase/decrease by \$(393) thousand and \$377 thousand, respectively, which was mainly attributable to the Company's exposure to interest rates on its variable-rate bank borrowings, and demand deposits.

#### c) Other price risk

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

### Sensitivity analysis

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

If equity prices had been 15% higher/lower, pre-tax profit for year ended December 31, 2019 and 2018 would have increased/decreased by \$820,098 thousand and \$768,223 thousand, respectively, as a result of the changes in fair value of financial assets as FVTOCI.

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

#### 2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As 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 47% and 25% of total trade receivables as of December 31, 2019 and 2018, 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, 2019 and 2018, the Company had available unutilized bank loan facilities set out in (b) below.

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

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

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

December 31, 2019

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 1,070,461	\$ 179,249	\$ -
Variable interest rate liabilities	147	150,000	-
Fixed interest rate liabilities	600,563	-	-
Lease liabilities	<u>9,307</u>	<u>16,075</u>	<u>-</u>
	<u>\$ 1,680,478</u>	<u>\$ 345,324</u>	<u>\$ -</u>

December 31, 2018

	<b>Less than 1 Year</b>	<b>1-5 Years</b>	<b>5+ Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	<u>\$ 1,195,693</u>	<u>\$ 217,854</u>	<u>\$ -</u>

b) Financing facilities

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Unsecured bank overdraft facility		
Amount used	\$ 600,000	\$ -
Amount unused	<u>5,945,000</u>	<u>7,645,000</u>
	<u>\$ 6,545,000</u>	<u>\$ 7,645,000</u>
Secured bank overdraft facility		
Amount used	\$ 150,000	\$ -
Amount unused	<u>1,230,000</u>	<u>1,880,000</u>
	<u>\$ 1,380,000</u>	<u>\$ 1,880,000</u>

**29. TRANSACTIONS WITH RELATED PARTIES**

The Company's major shareholder was Evergreen International Corporation, which held 22.81% and 30%, respectively, of ordinary shares of the Company as of December 31, 2019 and 2018.

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

a. Related parties and their relationships

<u>Related Party</u>	<u>Relationship with the Company</u>
Evergreen International Corporation	Investors that have significant influence over the Company
UNI Airways Corporation	Related party in substance
Evergreen Security Corporation	Related party in substance
Ever Accord Construction Corporation	Related party in substance
EVA Airways Corporation	Related party in substance
Evergreen Logistics Corporation	Related party in substance
Hsin Yung Enterprise Corporation	Subsidiary
Ever Ecove Corporation	Subsidiary

b. Sales of goods

<b>Line Item</b>	<b>Related Party Category</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Sales of goods	Investors that have significant influence over the Company	\$ 131,864	\$ 131,112
	Related party in substance	<u>145,190</u>	<u>287,552</u>
		<u>\$ 277,054</u>	<u>\$ 418,664</u>

The sales of goods to related party in substance were made at the Company's usual list prices which made no significant difference with other non-related parties. There's no similar prices about revenue from repairing containers to compare with investors that have significant influence over the Company. The Company collected payment within 60 days after issuing invoices.

c. Miscellaneous income

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 3,038</u>	<u>\$ 2,718</u>

d. Purchases of goods and expenses

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Investors that have significant influence over the Company	\$ 9,709	\$ 16,413
Substances	36	112
Related party in substance	<u>14,703</u>	<u>13,399</u>
	<u>\$ 24,448</u>	<u>\$ 29,924</u>

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

e. Retention receivable (contract assets)

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Related party in substance	<u>\$ 35,082</u>	<u>\$ 35,863</u>

For the years ended December 31, 2019 and 2018, impairment loss of \$894 thousand and \$1,203 thousand, respectively, was recognized for contract assets from related parties.

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

Trade receivables

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investors that have significant influence over the Company	\$ 23,223	\$ 23,002
Related party in substance	<u>19,567</u>	<u>13,918</u>
	<u>\$ 42,790</u>	<u>\$ 36,920</u>

Other receivables

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Subsidiaries	<u>\$ 132</u>	<u>\$ 69</u>

The outstanding trade receivables from related parties are unsecured.

g. Payables to related parties

Other payables

<b>Related Party Categories</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Investors that have significant influence over the Company	\$ 1,706	\$ 1,558
Related party in substance	1,439	1,864
Subsidiaries	<u>3</u>	<u>83</u>
	<u>\$ 3,148</u>	<u>\$ 3,505</u>

The outstanding trade payables from related parties are unsecured.

h. Lease arrangements

Line Item	Related Party Category/Name	December 31, 2019
Acquisition of right-of-use assets	Investors that have significant influence over the Company - Evergreen International Corporation	<u>\$ 2,007</u>
Lease liabilities	Investors that have significant influence over the Company - Evergreen International Corporation	<u>\$ 2,018</u>
Interest expense	Investors that have significant influence over the Company - Evergreen International Corporation	<u>\$ 156</u>
Lease expense	Investors that have significant influence over the Company - Evergreen International Corporation	<u>\$ 5,647</u>

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

i. Disposal of financial assets

Financial assets at fair through other comprehensive income

For the year ended December 31, 2019

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

j. Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term employee benefits	\$ 21,394	\$ 13,987
Post-employment benefits	<u>6,526</u>	<u>462</u>
	<u>\$ 27,920</u>	<u>\$ 14,449</u>

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

The following assets were provided as collateral for bank borrowings, provisional attachment and performance guarantees:

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Property, plant, and equipment, net	\$ 1,960,283	\$ 1,551,408
Investment properties	-	271,748
Pledge deposits (classified as financial assets at amortized cost)	<u>3,600</u>	<u>9,400</u>
	<u>\$ 1,963,883</u>	<u>\$ 1,832,556</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, 2019 and 2018 were as follows:

- a. As of December 31, 2019 and 2018, unused letters of credit for purchasing of materials are as follows:

<b>Currency</b>	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
USD	\$ 1,271	\$ 396
NTD	771,868	362,833

- b. For the year ended December 31, 2019, except for the refundable deposits, the guarantee bond for constructions secured by bank is \$657,786 thousand.

### 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, 2019

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

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



December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Non-monetary items			
Investments accounted for using the equity method			
RMB	\$ 1,908	4.472 (RMB:NTD)	\$ 8,533

### **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: See Table 3 below.
- 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 4 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) Information on investees: See Table 5 below.

b. Information on investments in mainland China:

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. See Table 6 below.

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None.
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
  - c) The amount of property transactions and the amount of the resultant gains or losses.
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purpose.
  - e) The highest balance, the end of period 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.

## EVERGREEN STEEL CORPORATION

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(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	\$ 6,345,443	\$ 3,087,000	\$ 3,087,000	\$ 3,087,000	\$ -	24.32	\$ 6,345,443	Y	-	-	Note 3
1	Ming Yu Investment Corporation	Evergreen Steel Corporation	Directly and indirectly holds more than 50 percent of the voting shares	25,381,772	9,493,791	3,499,556	3,499,556	-	27.58	25,381,772	-	Y	-	Note 2

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

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

Note 2: According to endorsement or guarantee provided regulation formulated by subsidiaries, the total amount of endorsement or guarantee that the Company is allowed to provide is up to 200% of the net worth value of the latest financial statements of the Company.

Note 3: The limits on endorsement or guarantee amount 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 guarantee for the endorsement of subsidiaries is not limited by the above ratio, but the maximum may still not exceed 200% of the most recent financial statements of the Company.

## EVERGREEN STEEL CORPORATION

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(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, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Evergreen Steel Corporation	<u>Ordinary Shares</u> EVA Airways Corporation	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	240,604	\$ 3,308,302	4.96	\$ 3,308,302	Note
	Shin Kong Financial Holding Co., Ltd. Evergreen Marine Corporation	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	7,937 38,262	82,145 474,445	0.06 0.85	82,145 474,445	
	Taiwan High Speed Rail Corporation Taiwan Terminal Services Corporation.	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	16,000 100	614,400 793	0.28 1.00	614,400 793	
	Taiwan Aerospace Corp. Pacific Resources Corporation.	- -	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	5,503 2,625	64,669 -	4.06 2.56	64,669 -	
	Taiwan Incubator SME Development Co EVERGREEN HEAVY INDUSTRIAL	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	7,689 6,679	61,439 147,559	10.90 13.39	61,439 147,559	
	Dongwei Transportation Co., Ltd. Ever Accord Construction Corp.	- Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current Financial assets at FVTOCI - non-current	660 7,500	6,558 63,077	18.86 12.50	6,558 63,077	
	UNI Airways Corporation	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	54,830	643,787	14.99	643,787	
	Evergreen Security Corp	Investee of the Company's mainly shareholders	Financial assets at FVTOCI - non-current	10	144	0.05	144	

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

## EVERGREEN STEEL CORPORATION

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2019

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

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Changes in Investments Accounted for Using Equity the Method	Ending Balance	
					Shares/Unit (In Thousands)	Amount (Note)	Shares/Unit (In Thousands)	Amount (Note)	Shares/Unit (In Thousands)	Amount	Carrying amount	Gain (Loss) on Disposal		Shares/Unit (In Thousands)	Amount (Note)
Evergreen Steel Corporation	EVA Airways Corporation	Financial assets at FVTOCI - non-current	-	Investee of the Company's mainly shareholders	202,982	\$ 3,079,940	37,622	\$ 398,464	-	\$ -	\$ -	\$ -	\$ -	240,604	\$ 3,478,404

Note: The amount stated was the original investment cost.

**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, 2019  
(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 International Corporation	Investors that have significant influence over the group	Sale	\$ 131,864	2.20	15-45 days	Note 1	15-45 days	\$ 23,223	1.42	Note 1
	Ever Accord Construction Corporation	Related party in substance	Sale	145,190	2.40	30-60 days	No significant difference	30-60 days	54,649	3.35	Note 2

Note 1: No similar prices on revenue from containers repair to compare with investors that have significant influence over the Company.

Note 2: The trade receivables include contract assets retention.

## EVERGREEN STEEL CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES ACCOUNTED FOR  
FOR THE YEAR ENDED DECEMBER 31, 2019

(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, 2019			Net Income (Losses) of the Investee	Share of Profits/Losses of Investee	Note
				December 31, 2019	December 31, 2018	Shares (In Thousands)	Percentage of Ownership (%)	Carrying Amount			
Evergreen Steel Corporation	Super Max Engineering Enterprise Co., Ltd.	Taiwan	Waste collection, treatment and disposal	\$ 594,436	\$ 594,436	10,732	48.12	\$ 728,987	\$ 348,524	\$ 167,725	Subsidiary
	Hsin Yung Enterprise Corporation	Taiwan	Waste treatment, disposal and cogeneration	992,666	992,666	99,267	68.46	1,643,400	640,450	438,450	Subsidiary
	Ming Yu Investment Co., Ltd.	Taiwan	Investment activities	239,487	250,087	10,350	100.00	237,704	30,040	(5,276)	Subsidiary (Note 2)
	Ever Ecove Corporation	Taiwan	Waste treatment, disposal and cogeneration	700,000	700,000	70,000	70.00	680,599	(14,256)	(9,979)	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	5,000	50.00	152,141	62,982	N/A	Accounted for using the equity method

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

Note 2: The original investment amount was \$250,087 thousand, and the Company's reinvestment amount is \$175,400 thousand in the current year, afterward the subsidiary - Ming Yu Investment Co., Ltd. reduced its capital by returning \$186,000 thousand of 6,000 thousand shares; therefore, the original investment amount at the end of the period is \$239,487 thousand.

## EVERGREEN STEEL CORPORATION

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2019	Investment of Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2019	Net Income (Losses) of the Investee Company	Percentage of Ownership	Share of Profits (Losses)	Carrying Amount as of December 31, 2019	Accumulated Inward Remittance of Earnings as of December 31, 2019	Note
					Outflow	Inflow							
Kun Shan	Design, manufacture and installation of waste water, waste gas equipment and various piping	\$ 11,992 (US\$ 400)	Note 1	\$ 11,992 (US\$ 400)	\$ -	\$ -	\$ 11,992 (US\$ 400)	\$ 27,208 (RMB 6,084)	24.06	\$ 6,476	\$ 14,448	\$ 28,241 (US\$ 942)	Note 3

Accumulated Investments in Mainland China as of December 31, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 11,992 (US\$ 400)	\$ 11,992 (US\$ 400) (Note 2)	\$ 7,642,773 (Note 3)

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

Note 2: Investments approved by the Ministry of Economic Affairs, R.O.C. are as follows:

Name of Investee	Date	Order No.	Approved Amounts
Kun Shan	2007.6.15	09600201160	US\$ 200
Kun Shan	2008.1.25	09700027430	US\$ 100
Kun Shan	2008.7.22	09700252240	US\$ 100
			<u>US\$ 400</u>

Note 3: The company's upper limit on investments to China (calculated based on the higher of 60% of Evergreen Steel Corporation's net worth or net worth of \$80 million, plus accumulated inward remittance of share capital or earnings from subsidiaries in mainland China: \$12,690,886 (net worth) × 60% + \$28,241 = \$7,642,773.



# EVERGREEN STEEL CORPORATION

## THE CONTENTS OF STATEMENTS OF MAJOR ACCOUNTING ITEMS

---

<u>Item</u>	<u>Statement Index</u>
Major Accounting Items in Assets, Liabilities and Equity	
Statement of cash and cash equivalents	1
Statement of trade receivables	2
Statement of inventories	3
Statement of FVTOCI - non-current	4
Statement of changes in investments accounted for using equity method	5
Statement of changes in property, plant and equipment	Note 12
Statement of changes in accumulated depreciation of property, plant and equipment	Note 12
Statement of changes in investment properties	Note 14
Statement of changes in accumulated depreciation of investment properties	Note 14
Statement of deferred income tax assets	Note 25
Statement of trade payable	6
Statement of other payable	Note 18
Statement of deferred income tax liabilities	Note 25
Major Accounting Items in Profit or Loss	
Statement of net revenue	7
Statement of operating cost	8
Statement of selling and marketing expenses	9
Statement of general and administrative expenses	9
Statement of labor, depreciation and amortization by function	10

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF CASH AND CASH EQUIVALENTS**

**DECEMBER 31, 2019**

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

---

<b>Item</b>	<b>Remark</b>	<b>Amount</b>
Cash on hand		\$ 2,815
Cash in banks		
Checking accounts and demand deposits	Note	43,223
Time deposits		<u>66,000</u>
		<u>\$ 112,038</u>

Note: Includes US\$6 thousand at \$29.98.

**EVERGREEN STEEL CORPORATION****STATEMENT OF TRADE RECEIVABLE****DECEMBER 31, 2019****(In Thousands of New Taiwan Dollars)**

---

<b>Client Name</b>	<b>Amount</b>
Client A	\$ 245,416
Client B	177,188
Client C	114,310
Client D	102,423
Client E	86,711
Client F	81,966
Others (Note 1)	<u>772,999</u>
	1,581,013
Less: Allowance for doubtful accounts	<u>(24,949)</u>
	<u>\$ 1,556,064</u>

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

Note 2: The amount including construction retention receivable of contract assets.

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF INVENTORIES**

**DECEMBER 31, 2019**

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

---

Item	Amount	
	Cost	Net Realizable Value
Raw materials	\$ 638,129	\$ 629,464
Supplies	15,753	7,299
Inventory in transit	<u>1,976</u>	<u>1,976</u>
	<u>\$ 655,858</u>	<u>\$ 638,739</u>

## EVERGREEN STEEL CORPORATION

STATEMENT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - NON-CURRENT  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars)

Investees	Balance at January 1, 2019		Additions in Investment (Note 1)		Decrease in Investment (Note 2)		Balance at December 31, 2019		Collateral
	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	Number of Shares (In Thousands)	Amount	
EVA Airways Corporation	202,982	\$ 3,207,114	37,622	\$ 398,464	-	\$ (297,276)	240,604	\$ 3,308,302	N/A
Shin Kong Financial Holding Co., Ltd.	7,941	71,231	166	12,773	(170)	(1,859)	7,937	82,145	N/A
Evergreen Marine Corporation	38,262	455,314	-	19,131	-	-	38,262	474,445	N/A
Taiwan High Speed Rail Corporation	16,000	488,800	-	125,600	-	-	16,000	614,400	N/A
Taiwan Terminal Services Corporation.	100	500	-	293	-	-	100	793	N/A
Taiwan Aerospace Corp.	5,503	59,698	-	4,971	-	-	5,503	64,669	N/A
Pacific Resources Corporation.	2,625	-	-	-	-	-	2,625	-	N/A
Taiwan Incubator SME Development Co.	7,689	45,945	-	15,494	-	-	7,689	61,439	N/A
Evergreen Heavy Industrial Corp.	6,679	200,000	-	-	-	(52,441)	6,679	147,559	N/A
Dongwei Transportation Co., Ltd.	660	4,990	-	1,568	-	-	660	6,558	N/A
Ever Accord Construction Corp.	6,655	62,071	845	1,006	-	-	7,500	63,077	N/A
UNI Airways Corporation	56,838	525,665	2,842	168,155	(4,850)	(50,033)	54,830	643,787	N/A
Evergreen Security Corp.	10	160	-	-	-	(16)	10	144	N/A
		<u>\$ 5,121,488</u>		<u>\$ 747,455</u>		<u>\$ (401,625)</u>		<u>\$ 5,467,318</u>	

Note 1: The increase in investment based on issued share dividend was 10,658 thousand, purchase of financial assets at FVTOCI was 30,817 thousand shares which amounted to \$399,888 thousand and unrealized (losses) gains on financial assets at FVTOCI was \$347,567 thousand.

Note 2: The decrease in investment from disposal of financial assets at FVTOCI was 5,020 thousand shares which amounted to \$51,892 thousand and unrealized (losses) gains on financial assets at FVTOCI was \$349,733 thousand.

## EVERGREEN STEEL CORPORATION

STATEMENT OF CHANGES IN INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD  
 FOR THE YEAR ENDED DECEMBER 31, 2019  
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investees	Balance at January 1, 2019		Additions in Investment		Decrease in Investment		Increase (Decrease) in Using the Equity Method	Balance at December 31, 2019			Market Value or Net Assets Value	Collateral
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount		Shares (In Thousands)	%	Amount		
Super Max Engineering Enterprise Co., Ltd. (Note 1)	10,732	\$ 615,396	-	\$ 496	-	\$ (54,630)	\$ 167,725	10,732	48.12	\$ 728,987	\$ 728,987	N/A
Hsin Yung Enterprise Corporation (Note 2)	99,267	1,609,844	-	2,058	-	(406,952)	438,450	99,267	68.46	1,643,400	2,338,073	N/A
Ming Yu Investment Co., Ltd. (Notes 3 and 4)	28,950	212,694	-	280,716	(18,600)	(250,430)	(5,276)	10,350	100.00	237,704	306,811	N/A
Ever Ecove Corporation	70,000	<u>690,578</u>	-	<u>-</u>	-	<u>-</u>	<u>(9,979)</u>	70,000	70.00	<u>680,599</u>	<u>680,599</u>	N/A
		<u>\$ 3,128,512</u>		<u>\$ 283,270</u>		<u>\$ (712,012)</u>	<u>\$ 590,920</u>			<u>\$ 3,290,690</u>	<u>\$ 4,054,470</u>	

Note 1: The increase in net defined benefit was \$496 thousand. The decrease in the difference of effects of foreign currency exchange was \$971 thousand, and investment based on issued cash dividend was \$53,659 thousand.

Note 2: The increase gain on the transactions with subsidiaries was realized. The decrease in investment based on the proportion of net defined benefit was \$193 thousand, investment based on issued cash dividend was \$397,066 thousand, and investment based on the proportion of unrealized (losses) gains on financial assets at FVTOCI was \$9,693 thousand.

Note 3: The increase in investment based on reinvested was \$175,400 thousand, the invested company sold treasury shares was \$70,000 thousand (reversal accounted for using equity method), and cash dividend from the parent company was \$35,316 thousand. The decrease in investment based on issued cash dividend was \$233,563 thousand and investment based on the proportion of unrealized (losses) gains on financial assets at FVTOCI was \$16,867 thousand.

Note 4: The decrease in investment based on shares of subsidiary capital reduction was 18,600 thousand shares.

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF TRADE PAYABLES**

**DECEMBER 31, 2019**

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

---

<b>Client Name</b>	<b>Amount</b>	<b>Note</b>
Client A	\$ 207,438	
Client B	108,373	
Client C	64,484	
Others	<u>573,584</u>	Note
	<u>\$ 953,879</u>	

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

**EVERGREEN STEEL CORPORATION**

**STATEMENT OF NET REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Tonnage</b>	<b>Amount</b>
Construction contract revenue	113,787	\$ 5,945,266
Revenue from containers repairmen	-	144,433
Revenue from the sale of goods	1,167	23,065
Less: Sales return		<u>(3,361)</u>
		<u>\$ 6,109,403</u>



**EVERGREEN STEEL CORPORATION****STATEMENT OF OPERATING COST  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Amount</b>
Inventory balance at beginning of year	\$ 6,585
Add: Purchases, net	14,329
Less: Inventory balance at end of year	(6,010)
Others	<u>(2,602)</u>
Materials consumed	12,302
Direct labor	45,064
Manufacturing expenses	<u>59,306</u>
Manufacturing cost	116,672
Finished goods, beginning of year	-
Purchases, net	23,648
Other cost of goods sold	
Add: Sales of material	150
Less: Inventory reversals	(1,092)
Sales scraps	<u>(269)</u>
Cost of goods sold for manufacturing sector	<u>139,109</u>
Construction balance at beginning of year	3,723,985
Add: Material consumed	2,419,198
Construction loss transferred to cost of goods	7,417
Others	2,291,565
Less: Construction balance at end of year	(3,089,251)
Others	(48,171)
Other cost of goods sold	
Add: Sales scraps	(35,992)
Inventory reversals	<u>(23,772)</u>
Cost of goods sold for construction sector	<u>5,244,979</u>
	<u>\$ 5,384,088</u>

**EVERGREEN STEEL CORPORATION****STATEMENT OF OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars)**

---

<b>Item</b>	<b>Selling and Marketing Expenses</b>	<b>General and Administrative Expenses</b>	<b>Total</b>
Payroll and related expenses	\$ 174,984	\$ 59,480	\$ 234,464
Domestic sale expenses	182,401	-	182,401
Insurance expenses	24,015	3,668	27,683
Depreciation expenses	8,000	8,694	16,694
Professional fees	579	5,840	6,419
Others (not exceeding 5%)	<u>57,625</u>	<u>33,856</u>	<u>91,481</u>
	<u>\$ 447,604</u>	<u>\$ 111,538</u>	<u>\$ 559,142</u>

## EVERGREEN STEEL CORPORATION

STATEMENT OF LABOR, DEPRECIATION AND AMORTIZATION BY FUNCTION  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	2019			2018		
	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	\$ 189,994	\$ 223,791	\$ 413,785	\$ 195,531	\$ 205,726	\$ 401,257
Labor and health insurance	16,263	17,943	34,206	17,015	16,405	33,420
Pension	8,334	10,671	19,005	9,167	10,170	19,337
Board compensation	-	10,673	10,673	-	9,532	9,532
Others	<u>12,555</u>	<u>10,355</u>	<u>22,910</u>	<u>14,997</u>	<u>11,289</u>	<u>26,286</u>
	<u>\$ 227,146</u>	<u>\$ 273,433</u>	<u>\$ 500,579</u>	<u>\$ 236,710</u>	<u>\$ 253,122</u>	<u>\$ 489,832</u>
Depreciation	<u>\$ 96,177</u>	<u>\$ 16,694</u>	<u>\$ 112,871</u>	<u>\$ 81,929</u>	<u>\$ 7,353</u>	<u>\$ 89,282</u>
Amortization	<u>\$ 3,004</u>	<u>\$ 3,375</u>	<u>\$ 6,379</u>	<u>\$ 4,197</u>	<u>\$ 3,288</u>	<u>\$ 7,485</u>

Note: As of December 31, 2019 and 2018, the Company had 532 and 458 employees, respectively. Among them 7 and 4 directors did not serve concurrently as employees for the years ended December 31, 2019 and 2018, respectively.