

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**EVERGREEN AVIATION TECHNOLOGIES
CORPORATION**

Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2022 and 2021**

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The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and financial statements, the Chinese version shall prevail.

Table of contents

Contents	Page
1. Cover Page	1
2. Table of Contents	2
3. Independent Auditors' Review Report	3
4. Balance Sheets	4
5. Statements of Comprehensive Income	5
6. Statements of Changes in Equity	6
7. Statements of Cash Flows	7
8. Notes to the Financial Statements	
(1) Company history	8
(2) Approval date and procedures of the financial statements	8
(3) New standards, amendments and interpretations adopted	8~9
(4) Summary of significant accounting policies	9~10
(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty	10
(6) Explanation of significant accounts	10~35
(7) Related-party transactions	35~41
(8) Assets pledged as security	41
(9) Significant commitments and contingencies	42
(10) Losses due to major disasters	42
(11) Subsequent events	42
(12) Other	42
(13) Other disclosures	
(a) Information on significant transactions	42~43
(b) Information on investees	44
(c) Information on investment in Mainland China	44
(14) Segment information	44



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Independent Auditors' Review Report

To the Board of Directors of Evergreen Aviation Technologies Corporation:

Introduction

We have reviewed the accompanying balance sheets of Evergreen Aviation Technologies Corporation (“the Company”) as of June 30, 2022 and 2021, and the related statements of comprehensive income, changes in equity and cash flows for the six months ended June 30, 2022 and 2021, and notes to the financial statements, including a summary of significant accounting policies. 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 International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standard 65, “Review of Financial Information Performed by the Independent Auditor of the Entity”. A review of the financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying financial statements do not present fairly, in all material respects, the financial position of Evergreen Aviation Technologies Corporation as of June 30, 2022 and 2021, and of its financial performance and its cash flows for the six months ended June 30, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chia-Chien Tang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)

August 1, 2022

Notes to Readers

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

The independent auditors' review report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' review report and financial statements, the Chinese version shall prevail.

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Balance Sheets

June 30, 2022, December 31, 2021, and June 30, 2021

(expressed in thousands of New Taiwan dollars)

Assets		June 30, 2022		December 31, 2021		June 30, 2021		Liabilities and Equity		June 30, 2022		December 31, 2021		June 30, 2021	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
Current assets:								Current liabilities:							
1100	Cash and cash equivalents (note 6(a))	\$ 5,521,238	24	6,009,054	27	5,850,895	25	2130	Contract liabilities-current (note 6(q))	\$ 42,230	-	46,707	-	171,170	1
1140	Contract assets-current (note 6(q))	626,048	3	476,803	2	521,228	2	2280	Current lease liabilities (note 6(l))	101,948	1	81,873	-	78,871	-
1170	Notes and accounts receivable, net (notes 6(b) and (q))	2,010,223	9	1,024,756	5	1,638,392	7	2170	Accounts payable	746,434	3	404,469	2	335,464	2
1180	Accounts receivable from related parties, net (notes 6(b), (q) and 7)	551,045	2	610,425	3	510,710	2	2180	Accounts payable to related parties (note 7)	45,888	-	33,784	-	56,641	-
1200	Other receivables (note 6(c))	11,562	-	3,164	-	6,232	-	2200	Other payables (notes 6(p) and (s))	659,591	3	501,246	3	621,593	3
1210	Other receivables from related parties (notes 6(c) and 7)	36,562	-	8,585	-	109,806	1	2220	Other payables to related parties (notes 6(p) and 7)	538,994	3	13,941	-	12,827	-
130X	Inventories (notes 6(d) and (f))	2,000,532	9	1,861,747	8	1,710,695	7	2230	Current tax liabilities	261,696	1	238,246	1	288,372	1
1470	Other current assets (note 6(j))	59,129	-	80,329	-	176,761	1	2320	Long-term borrowings, current portion (notes 6(k) and 8)	1,876,690	8	2,174,987	10	2,556,423	11
Total current assets		10,816,339	47	10,074,863	45	10,524,719	45	2399	Other current liabilities	13,668	-	26,927	-	21,994	-
Non-current assets:								Total current liabilities							
1550	Investments accounted for using equity method (notes 6(e) and 7)	1,689,491	7	1,582,449	7	1,469,151	6	Non-Current liabilities:							
1600	Property, plant and equipment (notes 6(f), 7 and 8)	6,846,005	30	7,147,455	32	7,455,169	33	2540	Long-term borrowings (notes 6(k) and 8)	6,554,822	28	6,906,307	31	7,412,596	32
1755	Right-of-use assets (note 6(g))	2,120,929	9	2,179,974	10	2,239,017	10	2580	Non-current lease liabilities (note 6(l))	2,063,865	9	2,112,117	9	2,165,813	9
1760	Investment property (notes 6(f), (h) and 8)	1,098,333	5	1,065,850	5	993,379	4	2640	Net defined benefit liabilities	179,301	1	179,127	1	189,044	1
1780	Intangible assets (note 6(i))	30,360	-	39,253	-	49,350	-	2645	Guarantee deposits received	824	-	824	-	200	-
1840	Deferred income tax assets	348,010	2	348,010	1	473,828	2	Total non-Current liabilities							
1900	Other non-current assets (notes 6(f), (j) and 8)	24,855	-	12,038	-	21,647	-	Total liabilities							
Total non-current assets		12,157,983	53	12,375,029	55	12,701,541	55	Equity (notes 6(e) and (p)):							
								3100	Ordinary shares	3,528,069	15	3,528,069	16	3,528,069	15
								3200	Capital surplus	565,262	3	565,262	2	565,262	2
								3300	Retained earnings	5,819,952	25	5,708,775	25	5,286,905	23
								3400	Other equity	(24,912)	-	(72,769)	-	(64,984)	-
								Total equity							
								Total liabilities and equity							
Total assets		\$ 22,974,322	100	22,449,892	100	23,226,260	100			\$ 22,974,322	100	22,449,892	100	23,226,260	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statements of Comprehensive Income

For the six months ended June 30, 2022 and 2021

(expressed in thousands of New Taiwan dollars, except earnings per share)

		For the six months ended June 30			
		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(m), (q) and 7)	\$ 5,816,761	100	4,787,954	100
5000	Operating costs (notes 6(d), (f), (g), (i), (n), (s), 7 and 12)	(4,788,122)	(82)	(3,944,564)	(82)
	Gross profit from operations	<u>1,028,639</u>	<u>18</u>	<u>843,390</u>	<u>18</u>
	Operating expenses (notes 6(f), (g), (h), (i), (l), (n), (s), 7 and 12):				
6200	Selling and administrative expenses	258,660	5	217,987	5
6300	Research and development expenses	<u>14,809</u>	<u>-</u>	<u>7,934</u>	<u>-</u>
	Total operating expenses	<u>273,469</u>	<u>5</u>	<u>225,921</u>	<u>5</u>
	Net operating income	<u>755,170</u>	<u>13</u>	<u>617,469</u>	<u>13</u>
	Non-operating income and expenses (notes 6(e), (f), (l), (t) and 7):				
7010	Other income	690	-	688	-
7100	Interest income	13,095	-	11,580	-
7020	Other gains and losses	256,133	4	(38,760)	(1)
7050	Finance costs	(62,490)	(1)	(61,664)	(1)
7060	Share of profit of associates accounted for using equity method	<u>54,173</u>	<u>1</u>	<u>16,774</u>	<u>-</u>
	Total non-operating income and expenses	<u>261,601</u>	<u>4</u>	<u>(71,382)</u>	<u>(2)</u>
7900	Profit before tax	1,016,771	17	546,087	11
7951	Income tax expenses (note 6(o))	<u>(203,354)</u>	<u>(3)</u>	<u>(109,217)</u>	<u>(2)</u>
	Profit	<u>813,417</u>	<u>14</u>	<u>436,870</u>	<u>9</u>
8300	Other comprehensive income (notes 6(e) and (p)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	<u>3,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>3,374</u>	<u>-</u>	<u>-</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss:				
8370	Share of other comprehensive income of associates accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	47,857	1	(15,291)	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Total components of other comprehensive income that will be reclassified to profit or loss	<u>47,857</u>	<u>1</u>	<u>(15,291)</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>51,231</u>	<u>1</u>	<u>(15,291)</u>	<u>-</u>
	Total comprehensive income	<u>\$ 864,648</u>	<u>15</u>	<u>421,579</u>	<u>9</u>
	Earnings per share (note 6(r))				
9750	Basic earnings per share (in New Taiwan dollars)	<u>\$ 2.31</u>		<u>1.24</u>	
9850	Diluted earnings per share (in New Taiwan dollars)	<u>\$ 2.30</u>		<u>1.23</u>	

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statements of Changes in Equity

For the six months ended June 30, 2022 and 2021

(Expressed in thousands of New Taiwan dollars)

	Retained earnings						Other equity	
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
Balance on January 1, 2021	\$ 3,528,069	565,262	1,513,611	-	4,394,845	5,908,456	(49,693)	9,952,094
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	113,931	-	(113,931)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(1,058,421)	(1,058,421)	-	(1,058,421)
	-	-	113,931	-	(1,172,352)	(1,058,421)	-	(1,058,421)
Profit	-	-	-	-	436,870	436,870	-	436,870
Other comprehensive income	-	-	-	-	-	-	(15,291)	(15,291)
Total comprehensive income	-	-	-	-	436,870	436,870	(15,291)	421,579
Balance at June 30, 2021	\$ 3,528,069	565,262	1,627,542	-	3,659,363	5,286,905	(64,984)	9,315,252
Balance at January 1, 2022	\$ 3,528,069	565,262	1,627,542	-	4,081,233	5,708,775	(72,769)	9,729,337
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	85,874	-	(85,874)	-	-	-
Special reserve	-	-	-	72,769	(72,769)	-	-	-
Cash dividends of ordinary shares	-	-	-	-	(705,614)	(705,614)	-	(705,614)
	-	-	85,874	72,769	(864,257)	(705,614)	-	(705,614)
Profit	-	-	-	-	813,417	813,417	-	813,417
Other comprehensive income	-	-	-	-	3,374	3,374	47,857	51,231
Total comprehensive income	-	-	-	-	816,791	816,791	47,857	864,648
Balance on June 30, 2022	\$ 3,528,069	565,262	1,713,416	72,769	4,033,767	5,819,952	(24,912)	9,888,371

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statements of Cash Flows

For the six months ended June 30, 2022 and 2021

(expressed in thousands of New Taiwan dollars)

	For the six months ended June 30	
	2022	2021
Cash flows from operating activities:		
Profit before tax	\$ 1,016,771	546,087
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	430,433	423,674
Amortization expense	11,643	18,253
Interest expense	62,490	61,664
Interest income	(13,095)	(11,580)
Shares of profits of associates accounted for using equity method	(54,173)	(16,774)
Gains on disposal of property, plant and equipment	(987)	(3,415)
Property, plant and equipment transferred to expenses	-	37
Others	(33,188)	(71,090)
Total adjustments to reconcile profit	403,123	400,769
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	(149,245)	(4,822)
Notes and accounts receivable, including related parties	(926,087)	(658,457)
Other receivables, including related parties	(4,270)	11,333
Inventories	(138,745)	(8,993)
Other current assets	21,200	(19,009)
Total changes in operating assets	(1,197,147)	(679,948)
Changes in operating liabilities:		
Contract liabilities	(4,477)	48,238
Accounts payable, including related parties	354,069	58,829
Other payables, including related parties	(21,609)	2,621
Other current liabilities	(13,259)	401
Net defined benefit liabilities	174	6,738
Total changes in operating liabilities	314,898	116,827
Total changes in operating assets and liabilities	(882,249)	(563,121)
Total adjustments	(479,126)	(162,352)
Cash inflow generated from operations	537,645	383,735
Income taxes paid	(179,904)	(56,315)
Net cash flows from operating activities	357,741	327,420
Cash flows generated from (used in) investing activities:		
Acquisition of property, plant and equipment	(45,073)	(173,988)
Proceeds from disposal of property, plant and equipment	3,484	6,854
Acquisition of intangible assets	(2,750)	(5,679)
Acquisition of investment property	(54,393)	(16,935)
Decrease in other non-current assets	941	2,991
Increase in prepayments for business facilities	(19,883)	(2,980)
Increase in prepayments for investment	-	(13,695)
Interest received	12,540	11,604
Net cash flows used in investing activities	(105,134)	(191,828)
Cash flows generated from (used in) financing activities:		
Proceeds from long-term borrowings	750,000	1,200,000
Repayments of long-term borrowings	(1,399,782)	(1,420,453)
Payment of lease liabilities	(28,177)	(12,469)
Cash dividends paid	-	(1,058,421)
Interest paid	(62,464)	(64,312)
Net cash flows used in financing activities	(740,423)	(1,355,655)
Net decrease in cash and cash equivalents	(487,816)	(1,220,063)
Cash and cash equivalents at beginning of period	6,009,054	7,070,958
Cash and cash equivalents at end of period	\$ 5,521,238	5,850,895

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Notes to the Financial Statements

June 30, 2022 and 2021

(expressed in thousands of New Taiwan dollars, unless otherwise specified)

(1) Company history

Evergreen Aviation Technologies Corporation (the “Company”) was incorporated on November 10, 1997, as a corporation limited by shares under the Company Act of the Republic of China (R.O.C.).

The business activities of the Company are

- maintenance, repair and overhaul of airframes, aircraft engines and accessories;
- manufacture, conversion and sale of airframes and engine parts;
- technical and management consulting for the preceding items;
- import and export of the preceding items;
- civil aviation personnel training.

(2) Approval date and procedures of the financial statements:

The financial statements were authorized for issue by the Board of Directors on August 1, 2022 .

(3) New standards, amendments and interpretations adopted:

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

- (b) The impact of IFRS issued by the FSC but not yet effective

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Company does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”
- IFRS 17 “Insurance Contracts” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”

(4) Summary of significant accounting policies:

Except the following accounting policies mentioned below, the significant accounting policies adopted in the financial statements are the same as those in the financial statement for the year ended December 31, 2021. For the related information, please refer to note 4 of the financial statements for the year ended December 31, 2021.

- (a) Statement of compliance

These financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC, and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for a complete set of the annual financial statements.

- (b) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(c) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period using the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the financial statements in conformity with the Regulations and IFRSs (in accordance with IAS 34 “Interim Financial Reporting” and endorsed by the FSC) requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The preparation of the financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the financial statements for the year ended December 31, 2021. For related information, please refer to note 5 of the financial statements for the year ended December 31, 2021.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	June 30, 2022	December 31, 2021	June 30, 2021
Cash on hand	\$ 1,543	1,517	1,624
Cash in bank	1,176,695	1,670,897	2,414,951
Time deposit	<u>4,343,000</u>	<u>4,336,640</u>	<u>3,434,320</u>
Cash and cash equivalents	<u>\$ 5,521,238</u>	<u>6,009,054</u>	<u>5,850,895</u>

Please refer to note 6(u) for the currency risk and sensitivity analysis of the financial instruments of the Company.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(b) Notes and accounts receivable

	June 30, 2022	December 31, 2021	June 30, 2021
Notes receivable	\$ 1,013	1,408	4,691
Accounts receivable (including related parties)	2,686,571	1,760,089	2,300,727
Less: loss allowance	<u>(126,316)</u>	<u>(126,316)</u>	<u>(156,316)</u>
	<u>\$ 2,561,268</u>	<u>1,635,181</u>	<u>2,149,102</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all notes and accounts receivable. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information, including macroeconomic and relevant industry information. The loss allowances provision were determined as follows:

June 30, 2022			
	Notes and accounts receivable (including related parties) carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,528,099	0%~2.16%	54,717
Overdue 1~30 days	145,139	3.03%~77.05%	60,126
Overdue 31~60 days	11,668	7.77%~77.05%	8,890
Overdue 61 days but less than one year	250	61.96%	155
Overdue more than one year	<u>2,428</u>	100%	<u>2,428</u>
	<u>\$ 2,687,584</u>		<u>126,316</u>

December 31, 2021			
	Notes and accounts receivable (including related parties) carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 1,691,523	0%~3.34%	56,342
Overdue 1~30 days	64,151	100%	64,151
Overdue 31~60 days	3,245	100%	3,245
Overdue 61 days but less than one year	204	100%	204
Overdue more than one year	<u>2,374</u>	100%	<u>2,374</u>
	<u>\$ 1,761,497</u>		<u>126,316</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	June 30, 2021		
	Notes and accounts receivable (including related parties) carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,051,238	0%	-
Overdue 1~30 days	107,813	0%~9.52%	10,259
Overdue 31~60 days	136,404	0%~99.77%	136,094
Overdue 61 days but less than one year	7,746	100%	7,746
Overdue more than one year	2,217	100%	2,217
	\$ 2,305,418		156,316

The movements in the allowance for notes and accounts receivable were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Balance at June 30 (same as beginning balance at January 1)	\$ 126,316	156,316

As of June 30, 2022, December 31 and June 30, 2021, the notes and accounts receivable were not pledged as collateral for borrowings.

Other credit risk information please refer to note 6(u).

(c) Other receivables

	June 30, 2022	December 31, 2021	June 30, 2021
Other receivables	\$ 11,562	3,164	6,232
Other receivables-related parties	36,562	8,585	109,806
Less: loss allowance	-	-	-
	\$ 48,124	11,749	116,038

As of June 30, 2022, December 31 and June 30, 2021, the financial assets were not pledged as collateral for borrowings. Other credit risk information please refer to note 6(u).

For the six months ended June 30, 2022 and 2021, the impairment loss are not recognized for other receivables.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(d) Inventories

(i) The components were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Spares and expendable part	\$ 473,866	358,819	189,940
Raw material	748,097	727,210	694,956
Work-in-progress	611,712	517,950	515,929
Finished goods	<u>166,857</u>	<u>257,768</u>	<u>309,870</u>
	<u>\$ 2,000,532</u>	<u>1,861,747</u>	<u>1,710,695</u>

(ii) Except for costs of goods sold and inventories recognized as expense, the gains or losses which were recognized as operating costs were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Write-down of inventories (reversal of write-down)	\$ (79,144)	(298,031)
Unallocated fixed manufacturing overhead	107,420	125,928
Losses (gains) on inventory count	1	4
Scrap income	<u>(2,408)</u>	<u>(2,322)</u>
	<u>\$ 25,869</u>	<u>(174,421)</u>

Gains on reversal of write-down on valuation of inventories and obsolescences were resulting from inventories sold.

(iii) As of June 30, 2022, December 31 and June 30, 2021, these inventories were not pledged as collateral of borrowings.

(e) Investments accounted for using equity method

(i) The components of investments accounted for using the equity method were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Associates	<u>\$ 1,689,491</u>	<u>1,582,449</u>	<u>1,469,151</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(ii) Associates

Name of associates	Nature of relationship with the Company	Main operating location/ registered country of the Company	Percentage of shareholding voting rights		
			June 30, 2022	December 31, 2021	June 30, 2021
GE Evergreen Engine Services Corp.	Maintenance, repair and overhaul of aircraft engines	R.O.C.	49.00 %	49.00 %	49.00 %
Spirit Evergreen Aftermarket Solution Co., Ltd.	Maintenance, repair and overhaul of aircraft	R.O.C.	49.00 %	49.00 %	-
Ever Superior Technologies Corporation	Chemical processing on metal products	R.O.C.	35.00 %	35.00 %	-

The summarized financial information of the abovementioned associates which is material to the Company is as follows. The financial information has been prepared in accordance with the IFRS endorsed by the FSC. The amounts included in the IFRS financial statements of the associates have been adjusted to reflect the adjustments made by the entity when using the equity method, such as fair value adjustments made at the time of acquisition and adjustments for differences in accounting policies.

- 1) The summary financial information of GE Evergreen Engine Services Corp was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current assets	\$ 5,656,891	4,214,812	4,055,449
Non-current assets	3,461,107	3,549,967	3,446,843
Current liabilities	(4,016,708)	(2,851,231)	(2,599,745)
Non-current liabilities	(752,988)	(738,684)	(746,820)
Net assets	<u>\$ 4,348,302</u>	<u>4,174,864</u>	<u>4,155,727</u>

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Operation revenue	<u>\$ 8,209,268</u>	<u>7,094,655</u>
Profit from continuing operations	\$ 133,272	34,233
Other comprehensive income	104,553	(31,206)
Comprehensive income	<u>\$ 237,825</u>	<u>3,027</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Share of net assets of the associates as of January 1	\$ 2,045,683	2,136,830
Comprehensive income attributable to the Company	116,534	1,483
Dividends received from the associate	<u>(31,550)</u>	<u>(102,008)</u>
Share of net assets of the associates as of June 30	2,130,667	2,036,305
Less: downstream transaction unrealized gain	<u>(500,779)</u>	<u>(567,154)</u>
Ending balance of associated owned by the Company	<u><u>\$ 1,629,888</u></u>	<u><u>1,469,151</u></u>

The Company's financial information for investments accounted for using the equity method that are individually insignificant was as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Carrying amount of individually insignificant associates' equity	<u><u>\$ 59,603</u></u>	<u><u>70,733</u></u>	<u><u>-</u></u>

Attributable to the Group:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Loss from continuing operations	\$ (11,130)	-
Other comprehensive income	<u>-</u>	<u>-</u>
Comprehensive income	<u><u>\$ (11,130)</u></u>	<u><u>-</u></u>

(iii) Pledge

As of June 30, 2022, December 31 and June 30, 2021, the Company did not provide any investment accounted for using the equity method as collateral of borrowing.

(f) Property, plant and equipment

The movements in cost and accumulated depreciation of property, plant and equipment were as follows:

	Land	Building and structures	Machinery and equipment	Unfinished construction	Total
Cost:					
Beginning balance as of January 1, 2022	\$ 759,534	8,727,902	5,793,551	2,530	15,283,517
Additions	-	-	40,833	4,240	45,073
Disposals	-	-	(28,067)	-	(28,067)
Reclassification (Note)	<u>-</u>	<u>-</u>	<u>7,121</u>	<u>(1,900)</u>	<u>5,221</u>
Balance as of June 30, 2022	<u><u>\$ 759,534</u></u>	<u><u>8,727,902</u></u>	<u><u>5,813,438</u></u>	<u><u>4,870</u></u>	<u><u>15,305,744</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	Land	Building and structures	Machinery and equipment	Unfinished construction	Total
Beginning balance as of January 1, 2021	\$ 1,113,595	8,727,232	5,768,312	533,561	16,142,700
Additions	-	150	31,537	144,723	176,410
Disposals	-	-	(79,961)	-	(79,961)
Reclassification (Note)	(354,061)	-	6,082	(628,396)	(976,375)
Balance as of June 30, 2021	<u>\$ 759,534</u>	<u>8,727,382</u>	<u>5,725,970</u>	<u>49,888</u>	<u>15,262,774</u>
Accumulated depreciation:					
Beginning balance as of January 1, 2022	\$ -	4,162,001	3,974,061	-	8,136,062
Depreciation	-	157,751	191,727	-	349,478
Disposals	-	-	(25,570)	-	(25,570)
Reclassification (Note)	-	-	(231)	-	(231)
Balance as of June 30, 2022	<u>\$ -</u>	<u>4,319,752</u>	<u>4,139,987</u>	<u>-</u>	<u>8,459,739</u>
Beginning balance as of January 1, 2021	\$ -	3,841,244	3,684,871	-	7,526,115
Depreciation	-	161,181	197,435	-	358,616
Disposals	-	-	(76,522)	-	(76,522)
Reclassification (Note)	-	-	(604)	-	(604)
Balance as of June 30, 2021	<u>\$ -</u>	<u>4,002,425</u>	<u>3,805,180</u>	<u>-</u>	<u>7,807,605</u>
Carrying amounts:					
Balance as of January 1, 2022	<u>\$ 759,534</u>	<u>4,565,901</u>	<u>1,819,490</u>	<u>2,530</u>	<u>7,147,455</u>
Balance as of June 30, 2022	<u>\$ 759,534</u>	<u>4,408,150</u>	<u>1,673,451</u>	<u>4,870</u>	<u>6,846,005</u>
Balance as of January 1, 2021	<u>\$ 1,113,595</u>	<u>4,885,988</u>	<u>2,083,441</u>	<u>533,561</u>	<u>8,616,585</u>
Balance as of June 30, 2021	<u>\$ 759,534</u>	<u>4,724,957</u>	<u>1,920,790</u>	<u>49,888</u>	<u>7,455,169</u>

Note: Reclassifications are mainly the transfers of property, plant and equipment to investment property and operating expenses, as well as the inventories and prepayment for equipment being reclassified to/from property, plant and equipment.

(i) Pledge

As of June 30, 2022, December 31 and June 30, 2021, the Company's property, plant and equipment were used as pledge for long-term borrowing and lines of credit, please refer to note 8.

(ii) Unfinished construction

The Company has started construction of spare parts maintenance factory in Guan Yin . The construction has completed in the second quarter of 2021. As of June 30, 2021, the cost incurred was amounted to \$568,157 thousand, which was included capitalized borrowings costs.

(iii) In 2015 the Company purchased a piece of agricultural land on Puxin, Dayuan Dist., Taoyuan City for car park lot amounting to \$60,558 thousand. The purchase was in the name of EGAT's director. The Company has implemented adequate safeguard procedures by setting mortgage for the agricultural land mentioned above.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(iv) For the six months ended June 30, 2021, the Company capitalized the interest expense amounting to \$2,440 thousand. The ranges of monthly interest rate used for capitalization calculation was 0.08%. There was no such transaction for the six months ended June 30, 2022.

(g) Right-of-use assets

The Company leases many assets including land and buildings. Information about leases for which the Company has been a lessee was presented below:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance at June 30, 2022 (same as beginning balance at January 1, 2022)	\$ <u>2,499,098</u>	<u>40,569</u>	<u>2,539,667</u>
Balance at January 1, 2021	\$ 2,370,800	40,569	2,411,369
Additions	<u>128,298</u>	<u>-</u>	<u>128,298</u>
Balance at June 30, 2021	\$ <u>2,499,098</u>	<u>40,569</u>	<u>2,539,667</u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ 329,267	30,426	359,693
Depreciation	<u>53,973</u>	<u>5,072</u>	<u>59,045</u>
Balance at June 30, 2022	\$ <u>383,240</u>	<u>35,498</u>	<u>418,738</u>
Balance at January 1, 2021	\$ 221,321	20,284	241,605
Depreciation	<u>53,973</u>	<u>5,072</u>	<u>59,045</u>
Balance at June 30, 2021	\$ <u>275,294</u>	<u>25,356</u>	<u>300,650</u>
Carrying amount:			
Balance at January 1, 2022	\$ <u>2,169,831</u>	<u>10,143</u>	<u>2,179,974</u>
Balance at June 30, 2022	\$ <u>2,115,858</u>	<u>5,071</u>	<u>2,120,929</u>
Balance at January 1, 2021	\$ <u>2,149,479</u>	<u>20,285</u>	<u>2,169,764</u>
Balance at June 30, 2021	\$ <u>2,223,804</u>	<u>15,213</u>	<u>2,239,017</u>

(h) Investment property

Investment property comprises lands and buildings that are leased to third parties under operating leases, including properties, as well as properties that are owned by the Company. The leases of investment properties contain an initial non-cancellable lease term of 10 years. Some leases provide the lessees with options to extend at the end of the term.

For all investment property leases, the rental income is fixed under the contracts.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

The movements of investment property were as follows:

	<u>Land</u>	<u>Buildings and structures</u>	<u>Total</u>
Cost:			
Balance at January 1, 2022	\$ 354,061	737,530	1,091,591
Acquisitions	<u>-</u>	<u>54,393</u>	<u>54,393</u>
Balance at June 30, 2022	<u><u>\$ 354,061</u></u>	<u><u>791,923</u></u>	<u><u>1,145,984</u></u>
Balance at January 1, 2021	\$ -	-	-
Acquisitions	-	16,935	16,935
Reclassification from property, plant and equipment	<u>354,061</u>	<u>628,396</u>	<u>982,457</u>
Balance at June 30, 2021	<u><u>\$ 354,061</u></u>	<u><u>645,331</u></u>	<u><u>999,392</u></u>
Accumulated depreciation:			
Balance at January 1, 2022	\$ -	25,741	25,741
Depreciation	<u>-</u>	<u>21,910</u>	<u>21,910</u>
Balance at June 30, 2022	<u><u>\$ -</u></u>	<u><u>47,651</u></u>	<u><u>47,651</u></u>
Balance at January 1, 2021	\$ -	-	-
Depreciation	<u>-</u>	<u>6,013</u>	<u>6,013</u>
Balance at June 30, 2021	<u><u>\$ -</u></u>	<u><u>6,013</u></u>	<u><u>6,013</u></u>
Carrying amount:			
Balance at January 1, 2022	<u><u>\$ 354,061</u></u>	<u><u>711,789</u></u>	<u><u>1,065,850</u></u>
Balance at June 30, 2022	<u><u>\$ 354,061</u></u>	<u><u>744,272</u></u>	<u><u>1,098,333</u></u>
Balance at January 1, 2021	<u><u>\$ -</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Balance at June 30, 2021	<u><u>\$ 354,061</u></u>	<u><u>639,318</u></u>	<u><u>993,379</u></u>
Fair value:			
Balance at January 1, 2022			<u><u>\$ 1,393,802</u></u>
Balance at June 30, 2022			<u><u>\$ 1,466,045</u></u>
Balance at January 1, 2021			<u><u>\$ -</u></u>
Balance at June 30, 2021			<u><u>\$ 1,376,477</u></u>

The fair value of investment properties (as measured or disclosed in the financial statements) was based on a valuation by a qualified independent appraiser who has recent valuation experience in the location and category of the investment property being valued. The inputs of levels of fair value hierarchy in determining the fair value is classified to Level 3.

Fair value was measured using the cost approach and market approach.

As of June 30, 2022, December 31 and June 30, 2021, the Company's investment property, plant and equipment were used as pledge for loge-term borrowing and lines of credit, please refer to note 8.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(i) Intangible assets

The movements cost and amortization of the intangible assets of the Company were as follows:

	Computer software
Cost:	
Beginning balance as of January 1, 2022	\$ 200,257
Additions	2,750
Disposal	(3,948)
Balance as of June 30, 2022	<u><u>\$ 199,059</u></u>
Beginning balance as of January 1, 2021	\$ 197,400
Additions	5,679
Disposal	(3,519)
Balance as of June 30, 2021	<u><u>\$ 199,560</u></u>
Amortization:	
Beginning balance as of January 1, 2022	\$ 161,004
Amortization	11,643
Disposal	(3,948)
Balance as of June 30, 2022	<u><u>\$ 168,699</u></u>
Beginning balance as of January 1, 2021	\$ 135,476
Amortization	18,253
Disposal	(3,519)
Balance as of June 30, 2021	<u><u>\$ 150,210</u></u>
Carrying amounts:	
Balance as of January 1, 2022	<u><u>\$ 39,253</u></u>
Balance as of June 30, 2022	<u><u>\$ 30,360</u></u>
Balance as of January 1, 2021	<u><u>\$ 61,924</u></u>
Balance as of June 30, 2021	<u><u>\$ 49,350</u></u>

(i) Amortization

For the six months ended June 30, 2022 and 2021, the amortization of intangible assets is included under operating costs and operating expenses in the statement of comprehensive income.

(ii) Pledge

The aforementioned intangible assets were not pledged as collateral for borrowing.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(j) Other current assets and other non-current assets

The details of the Company's other current assets were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Payment on behalf of others	\$ -	46,461	134,884
Prepayments	59,129	33,868	41,877
	<u>\$ 59,129</u>	<u>80,329</u>	<u>176,761</u>

The detail of the Company's other non-current assets were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Pledged time deposits	\$ 1,982	1,982	1,979
Guarantee deposits	771	732	1,020
Prepayment for equipment	15,082	1,324	3,673
Prepayment for investment	-	-	13,695
Others	7,020	8,000	1,280
	<u>\$ 24,855</u>	<u>12,038</u>	<u>21,647</u>

(k) Long-term borrowings

The details, conditions and terms of the Company's long-term borrowings were as follows:

June 30, 2022				
	Currency	Interest rate	Year due	Amount
Unsecured loans	NTD	1.10%~1.43%	2022~2027	\$ 6,862,349
Secured loans	NTD	1.33%~1.50%	2022~2037	1,569,163
Subtotal				8,431,512
Less: current portion				1,876,690
Total				<u>\$ 6,554,822</u>

December 31, 2021				
	Currency	Interest rate	Year due	Amount
Unsecured loans	NTD	0.9%~1.08%	2022~2025	\$ 7,437,758
Secured loans	NTD	1.01%~1.11%	2022~2034	1,643,536
Subtotal				9,081,294
Less: current portion				2,174,987
Total				<u>\$ 6,906,307</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

June 30, 2021				
	Currency	Interest rate	Year due	Amount
Unsecured loans	NTD	0.9%~1.08%	2021~2025	\$ 8,121,108
Secured loans	NTD	1.01%~1.11%	2021~2034	<u>1,847,911</u>
Subtotal				9,969,019
Less: current portion				<u>2,556,423</u>
Total				<u><u>\$ 7,412,596</u></u>

As of June 30, 2022, the details of the future repayment periods and amounts of the Company's long-term borrowings were as follows:

Period	Amount
2022.7.1~2023.6.30	\$ 1,876,690
2023.7.1~2024.6.30	2,120,740
2024.7.1~2025.6.30	1,843,396
2025.7.1~2026.6.30	1,767,310
2026.7.1~2027.6.30	242,898
2027.7.1 and thereafter	<u>580,478</u>
	<u><u>\$ 8,431,512</u></u>

Information on the Company's exposure to interest rate risk, currency risk and liquidity risk is disclosed in note 6(u).

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of June 30, 2022, December 31 and June 30, 2021, the unused credit lines for short-term and long-term borrowings amounted to \$1,180,000 thousand, \$1,500,000 thousand and \$920,000 thousand, respectively.

(l) Lease liabilities

The Company amounts of lease liabilities were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Current	<u>\$ 101,948</u>	<u>81,873</u>	<u>78,871</u>
Non-current	<u>\$ 2,063,865</u>	<u>2,112,117</u>	<u>2,165,813</u>

For the maturity analysis, please refer to note 6(u).

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

The amounts recognized in profit or loss were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Interest on lease liabilities	\$ <u>14,207</u>	<u>14,896</u>
Expenses relating to short-term leases	\$ <u>24,890</u>	<u>12,340</u>
Covid-19-related rent concessions (recognized as deduction of depreciation expenses)	\$ <u>-</u>	<u>43,608</u>

The amounts recognized in the statement of cash flows by the Company were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Total cash outflow for leases	\$ <u>67,274</u>	<u>39,705</u>

The lease of land, building and structures:

The Company leases land which typically run for a period of 35 years, and of buildings and structures for 4 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

(m) Operating lease

The Company leases out its investment property. The Company has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Please refer to note 6(h) sets out information about the operating leases of investment property.

A maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date was as follows:

	June 30, 2022
Less than one year	\$ 17,965
One to two years	18,145
Two to three years	18,326
Three to four years	18,510
Four to five years	18,695
More than five years	<u>280,425</u>
Total undiscounted lease payments	\$ <u>372,066</u>

For the six months ended June 30, 2022 and 2021, the rental income from investment properties were \$8,531 thousand and \$1,394 thousand, respectively.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(n) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2021 and 2020.

The expenses recognized in profit or loss for the Company were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Operating costs and expenses	\$ <u><u>12,563</u></u>	<u><u>13,876</u></u>

(ii) Defined contribution plans

The Company's expenses under the pension plan cost to the Bureau of Labor Insurance for the six months ended June 30, 2022 and 2021 were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Operating costs and expenses	\$ <u><u>59,084</u></u>	<u><u>60,846</u></u>

(o) Income tax

(i) Income tax expenses

The components of income tax were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Income tax expenses	\$ <u><u>203,354</u></u>	<u><u>109,217</u></u>

(ii) For the six months ended June 30, 2022 and 2021, there were no income tax expense recognized in other comprehensive income.

(iii) The Company's income tax returns for the years through 2020 were assessed by the local tax authorities.

(p) Capital and other equity

Except for the following disclosure, there was no significant change in capital and other equity for the six months ended June 30, 2022 and 2021. For the related information, please refer to note (p) of the financial statements for the year ended December 31, 2021.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(i) Retain earnings

The Company's article of incorporation stipulate that Company's net earnings should first be used to offset the prior years' deficits, if any, before paying any income taxes. Of the remaining balance, 10% is to be appropriated as legal reserve, and then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval. The dividends can be distributed wholly or partly in cash only after a resolution has been adopted by a majority vote at a meeting of the board of directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Earnings distribution

As the Company is in its growth phase, the Board of Directors has adopted the following principles in the appropriation of earnings, in order to meet its operational plan and guarantee shareholders' right:

- a) The annual appropriation of not less than 50% of the current after-tax net income as the shareholders' dividend.
- b) The dividends may be distributed either in full cash, or in the form of cash dividends of at least 50% of the total dividends.

Earnings distribution for 2021 and 2020 were approved by the general meetings of shareholders held on June 10, 2022 and April 29, 2021, respectively. The relevant dividend distributions to shareholders were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders				
Cash	\$ 2.00	\$ <u><u>705,614</u></u>	3.00	<u><u>1,058,421</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(ii) Other equity

	Exchange differences on translation of foreign financial statements
Beginning balance at January 1, 2022	\$ (72,769)
Exchange differences on associates accounted for using equity method	<u>47,857</u>
Balance at June 30, 2022	<u><u>\$ (24,912)</u></u>
Balance at January 1, 2021	\$ (49,693)
Exchange differences on associates accounted for using equity method	<u>(15,291)</u>
Balance at June 30, 2021	<u><u>\$ (64,984)</u></u>

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Primary geographical markets:		
Taiwan	\$ 2,019,346	1,805,161
Asia	955,865	962,355
North America	2,407,850	1,885,813
Europe	356,789	127,781
Other	<u>76,911</u>	<u>6,844</u>
	<u><u>\$ 5,816,761</u></u>	<u><u>4,787,954</u></u>
Type of contract:		
Maintenance of aircrafts	\$ 4,591,540	4,060,755
Manufacturing and selling of aircrafts related components	1,216,690	725,805
Other	<u>8,531</u>	<u>1,394</u>
	<u><u>\$ 5,816,761</u></u>	<u><u>4,787,954</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(ii) Contract balances

	June 30, 2022	December 31, 2021	June 30, 2021
Notes and accounts receivable (including related parties)	\$ 2,687,584	1,761,497	2,305,418
Less: loss allowance	<u>(126,316)</u>	<u>(126,316)</u>	<u>(156,316)</u>
Total	<u>\$ 2,561,268</u>	<u>1,635,181</u>	<u>2,149,102</u>
Contract assets-maintenance service	<u>\$ 626,048</u>	<u>476,803</u>	<u>521,228</u>
Contract liabilities-maintenance service	<u>\$ 42,230</u>	<u>46,707</u>	<u>171,170</u>

For details on notes and accounts receivable (including related parties) and loss allowance, please refer to note 6(b).

The amount of revenue recognized for the six months ended June 30, 2022 and 2021 that were included in the contract liability balance at the beginning of the period were \$87 thousand and \$42,156 thousand, respectively.

The contract asset primarily relates to the amount of revenue that has been recognized for the maintenance but not completed at the reporting date. The contract assets are transferred to receivables when the rights to consideration become unconditional.

The contract liabilities primarily relate to the advance consideration received from customer for the maintenance but has not yet completed, for which revenue is recognized when the products or the services are delivered to customer.

The major change in the balance of contract assets and contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

The contract of maintenance services has an original expected duration of less than one year, thus the Company applies the practical expedient of IFRS 15 and does not disclose information about the transaction price allocated to the remaining performance obligations of the contract.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(r) Earnings per share (“EPS”)

For the six months ended June 30, 2022 and 2021, basic earnings per share and diluted earnings per share were calculated as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>813,417</u>	<u>436,870</u>
Weighted-average number of shares outstanding during the period (thousand shares)	<u>352,807</u>	<u>352,807</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>2.31</u>	<u>1.24</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>813,417</u>	<u>436,870</u>
Weighted-average number of shares outstanding during the period (thousand shares)	352,807	352,807
Effect of the potentially dilutive common stock		
Effect of employee compensation	<u>1,179</u>	<u>1,752</u>
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	<u>353,986</u>	<u>354,559</u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u>2.30</u>	<u>1.23</u>

(s) Employee compensation, and the directors’ and supervisors’ remuneration

According to the Company’s Articles of Incorporation, once the Company has an annual earnings, a minimum of 1% will be distributed as employee compensation and a maximum of 2% will be allotted for directors’ and supervisors’ remuneration. However, if the Company has accumulated losses, the earnings shall first be offset against any deficit.

For the six months ended June 30, 2022 and 2021, the Company accrued and recognized employee remuneration amounting to \$20,978 thousand and \$23,532 thousand, respectively, and directors’ and supervisors’ remuneration amounting to \$3,497 thousand and \$3,835 thousand, respectively. These remuneration were expensed under operating costs or operating expenses for each period. If there are any significant changes between the accrued amounts and actual amount after the year end, the cost or expense for the year accrued should be adjusted. The differences between the amounts approved in the shareholders’ meeting and those recognized in the financial statements, if any, shall be accounted for as changes in accounting estimates and recognized in profit or loss in the following year.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

There were decreases of \$22,896 thousand between the actual employees' remuneration and directors' and supervisors' remuneration for the year of 2020, determined by the Board of Director, and the estimated amounts mainly due to the adjustment of the Board of Directors' resolution. The differences shall be accounted for as changes in accounting estimates and recognized in profit or loss for the year of 2021. There were no difference between the actual distributed amounts as determined by Board of Directors and those recognized in the financial statement for the year of 2021. The related information mentioned can be found on Market Observation Post System website.

(t) Non-operating income and expenses

(i) Interest income

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Interest income from bank deposit	\$ <u>13,095</u>	<u>11,580</u>

(ii) Other income

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Rent income	\$ <u>690</u>	<u>688</u>

(iii) Other gains and losses

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Foreign exchange gains (losses), net	\$ 210,298	(71,536)
Gains on disposal of property, plant and equipment	987	3,415
Others	<u>44,848</u>	<u>29,361</u>
	\$ <u>256,133</u>	<u>(38,760)</u>

(iv) Finance costs

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Interest expense-bank borrowings	\$ 48,283	49,208
Interest expense-lease liabilities	14,207	14,896
Less: capitalized interest	<u>-</u>	<u>(2,440)</u>
	\$ <u>62,490</u>	<u>61,664</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(u) Financial instruments

Except for the contention mentioned below, there was no significant change in the fair value of the Company's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For related information, please refer to note 6(u) of the financial statements for the year ended December 31, 2021.

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets and contract assets, represents the maximum amount exposed to credit risk.

2) Circumstances of concentration of credit risk

The Company's primary potential credit risk is from accounts receivable and similar financial instruments. The Company concentrates on transactions with a few customers. In order to reduce credit risk, the Company also assesses the financial condition of customers regularly and asks for their reimbursement plan. The Company evaluates the credit losses and recognizes impairment provision regularly. The impairment losses was under the expected by the management. As of June 30, 2022, December 31 and June 30, 2021, 58%, 79% and 46% of accounts receivable were 3, 3 and 2 major customers, respectively.

3) Credit risk of receivables and debt securities

For credit risk exposure of notes and accounts receivable, please refer to note 6(b).

Other financial assets at amortized cost includes other receivables and time deposit.

All of these financial assets are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note 4(f) of the financial statements for the year ended December 31, 2021.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-5 years	Over 5 years
As of June 30, 2022					
Non-derivative financial liabilities					
Long-term borrowings (including current portion) \$	8,431,512	8,687,236	1,972,630	6,114,256	600,350
Lease liabilities	2,165,813	2,499,334	129,339	494,263	1,875,732
Accounts payable (including related parties)	792,322	792,322	792,322	-	-
Other payables (including related parties)	1,198,585	1,198,585	1,198,585	-	-
Guarantee deposit received	824	824	824	-	-
Total	<u><u>\$ 12,589,056</u></u>	<u><u>13,178,301</u></u>	<u><u>4,093,700</u></u>	<u><u>6,608,519</u></u>	<u><u>2,476,082</u></u>
As of December 31, 2021					
Non-derivative financial liabilities					
Long-term borrowings (including current portion) \$	9,081,294	9,292,644	2,255,219	6,436,803	600,622
Lease liabilities	2,193,990	2,541,718	109,940	494,263	1,937,515
Accounts payable (including related parties)	438,253	438,253	438,253	-	-
Other payables (including related parties)	515,187	515,187	515,187	-	-
Guarantee deposit received	824	824	824	-	-
Total	<u><u>\$ 12,229,548</u></u>	<u><u>12,788,626</u></u>	<u><u>3,319,423</u></u>	<u><u>6,931,066</u></u>	<u><u>2,538,137</u></u>
As of June 30, 2021					
Non-derivative financial liabilities					
Long-term borrowings (including current portion) \$	9,969,019	10,187,930	2,643,569	7,029,228	515,133
Lease liabilities	2,244,684	2,606,965	107,630	500,037	1,999,298
Accounts payable (including related parties)	392,105	392,105	392,105	-	-
Other payables (including related parties)	634,420	634,420	634,420	-	-
Guarantee deposit received	200	200	200	-	-
Total	<u><u>\$ 13,240,428</u></u>	<u><u>13,821,620</u></u>	<u><u>3,777,924</u></u>	<u><u>7,529,265</u></u>	<u><u>2,514,431</u></u>

The Company is not expecting that the cash flows including the maturity analysis could occur significantly earlier or at significantly different amounts.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(iii) Currency risk

1) Exposure to foreign currency risk

The Company's significant exposure to foreign currency risk was as follows:

	June 30, 2022			December 31, 2021			June 30, 2021			
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD	
<u>Financial assets</u>										
<u>Monetary items</u>										
USD	\$	105,214	29.72	<u>3,126,965</u>	78,254	27.68	<u>2,166,060</u>	100,234	27.86	<u>2,792,518</u>
<u>Non-monetary items</u>										
USD	\$	54,842	29.72	<u>1,629,888</u>	54,614	27.68	<u>1,511,716</u>	52,733	27.86	<u>1,469,151</u>
<u>Financial liabilities</u>										
<u>Monetary items</u>										
USD	\$	8,347	29.72	<u>248,061</u>	3,683	27.68	<u>101,940</u>	5,355	27.86	<u>149,204</u>

2) Sensitivity analysis

The Company's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes receivable, accounts receivable (including related parties), accounts payable (including related parties) and other payables that are denominated in foreign currency. A strengthening (weakening) of 1% of the NTD against the USD as of June 30, 2022 and 2021, would have decreased / increased the profit before tax by \$28,789 thousand and \$26,433 thousand, respectively. Equity would have decreased / increased the profit before tax by \$16,299 thousand and \$14,692 thousand, respectively. The analysis is performed on the same basis for 2022 and 2021.

Due to the variety of the Company's currency, the Company discloses its exchange gains and losses of monetary items collectively. For the six months ended June 30, 2022 and 2021, the Company's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to \$210,298 thousand and \$(71,536) thousand, respectively.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(iv) Interest rate analysis

Please refer to the notes on liquidity management and interest exposure of the Company's financial liabilities.

The following sensitivity analysis is based on the exposure to interest rate risk of the non-derivative financial instruments on the reporting date. For variable-rate instruments, the sensitivity analysis assumes the variable-rate liabilities are outstanding for the whole year on the reporting date. The Company's internal department reported the increases/decreases in the interest rates and the exposure to changes in interest rates on 1% to the Company's key management so as to allow key management to assess the reasonableness of the changes in the interest rates.

If the interest rate increases / decreases by 1% all other variable factors that remain constant, the profit of the Company will decrease / increase \$42,158 thousand and \$49,845 thousand for the six months ended June 30, 2022 and 2021, respectively due to the Company's floating-interest borrowings.

(v) Fair value

1) Categories and fair values of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It shall not include fair value information of the financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value and investments in equity instruments which do not have any quoted price in an active market in which the fair value cannot be reasonably measured.

		June 30, 2022			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 5,521,238	-	-	-	-
Notes and accounts receivable and other receivables (including related parties)	2,609,392	-	-	-	-
Other non-current assets	2,753	-	-	-	-
Total	<u>\$ 8,133,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 792,322	-	-	-	-
Other payables (including related parties)	1,198,585	-	-	-	-
Long-term borrowings (including current portion)	8,431,512	-	-	-	-
Lease liabilities	2,165,813	-	-	-	-
Guarantee deposit received	824	-	-	-	-
Total	<u>\$ 12,589,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

		December 31, 2021			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 6,009,054	-	-	-	-
Notes and accounts receivable and other receivable (including related parties)	1,646,930	-	-	-	-
Other non-current assets	2,714	-	-	-	-
Total	<u>\$ 7,658,698</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 438,253	-	-	-	-
Other payables (including related parties)	515,187	-	-	-	-
Long-term borrowings (including current portion)	9,081,294	-	-	-	-
Lease liabilities	2,193,990	-	-	-	-
Guarantee deposit received	824	-	-	-	-
Total	<u>\$ 12,229,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		June 30, 2021			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 5,850,895	-	-	-	-
Notes and accounts receivable and other receivable (including related parties)	2,265,140	-	-	-	-
Other non-current assets	2,999	-	-	-	-
Total	<u>\$ 8,119,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Accounts payable (including related parties)	\$ 392,105	-	-	-	-
Other payables (including related parties)	634,420	-	-	-	-
Long-term borrowings (including current portion)	9,969,019	-	-	-	-
Lease liabilities	2,244,684	-	-	-	-
Guarantee deposit received	200	-	-	-	-
Total	<u>\$ 13,240,428</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques and assumptions used in fair value determination

a) Non-derivative financial instruments

The fair value of financial instruments traded in an active market is based on the quoted market prices. The quotations, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

For financial instruments traded in active markets, their fair values are listed below by types and attributes:

- The stocks of publicly traded companies are financial assets which are traded in active markets under standard terms and conditions. The fair value of the abovementioned stocks is based on quoted market prices.

Measurements of fair value of financial instruments without an active market are based on a valuation technique. Fair value measured by a valuation technique can be extrapolated from the fair value of similar financial instruments, the discounted cash flow method, or other valuation technique.

For financial instruments not traded in active markets, their fair values are listed below by types and attributes:

- Equity instruments with no quoted market prices: the Company takes the quote market prices and the price-book ratios of similar publicly traded companies into consideration by using the market comparison approach. The estimates had been adjusted by the depreciation from lack of market liquidity.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants such as the discounted cash flow and option pricing models. Fair value of forward currency is usually determined by the forward currency exchange rate.

- 3) Transfer between Level 1 and Level 2: None.
- 4) Changes between Level 3: None.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(v) Management of financial risk

There were no significant changes in the Company's financial risk management and policies as disclosed in note 6(v) of the financial statements for the year ended December 31, 2021.

(w) Capital management

Management believes that the objectives, policies and processes of capital management of the Company has been applied consistently with those described in the financial statements for the year ended December 31, 2021. Also, management believes that there were no significant changes in the Company's capital management information as disclosed for the year ended December 31, 2021. Please refer to note 6(w) of the financial statements for the year ended December 31, 2021 for further details.

(x) Investing and financing activities not affecting current cash flow

The Company's financing activities which did not affect the current cash flow in the six months ended June 30, 2022 and 2021, were as follows:

	January 1, 2022	Cash flows	Non-cash changes	June 30, 2022
			Other	
Long-term borrowings	\$ 9,081,294	(649,782)	-	8,431,512
Lease liabilities	2,193,990	(28,177)	-	2,165,813
Guarantee deposit received	824	-	-	824
Total liabilities from financing activities	<u>\$ 11,276,108</u>	<u>(677,959)</u>	<u>-</u>	<u>10,598,149</u>

	January 1, 2021	Cash flows	Non-cash changes	December 31, 2021
			Right-of-use assets	Other
Long-term borrowings	\$ 10,189,472	(220,453)	-	-
Lease liabilities	2,170,454	(12,469)	128,298	(41,599)
Guarantee deposit received	200	-	-	-
Total liabilities from financing activities	<u>\$ 12,360,126</u>	<u>(232,922)</u>	<u>128,298</u>	<u>(41,599)</u>

(7) Related-party transactions:

(a) Parent company and ultimate controlling company

EVA Airways Corp. is both the parent company and the ultimate controlling party of the Company. As of June 30, 2022 and 2021, it owns 58.44% and 79.42% of all shares outstanding of the Company, respectively. EVA Airways Corp. has issued the consolidated financial statements available for public use.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(b) Name and relationship with the Company

Name	Relationship with the Company
EVA Airways Corp.	Parent company
Uni Airways Corp.	Juristic person shareholder
GE Evergreen Engine Services Corp.	Associates
Spirit Evergreen Aftermarket Solutions Co., Ltd.	Associates
Ever Superior Technologies Corporation	Associates
Evergreen Airline Services Corp.	Other related parties
Evergreen Sky Catering Corp.	Other related parties
Evergreen Air Cargo Services Corp.	Other related parties
Evergreen Security Corp.	Other related parties
Evergreen Logistics Corporation	Other related parties
Everfun Travel Service Corp.	Other related parties
Evergreen International Corp.	Other related parties
Evergreen International Storage & Transport Corp.	Other related parties
Ever Accord Construction Corp.	Other related parties
Hsin Yung Enterprise Corporation	Other related parties
Super Max Engineering Enterprise CO., LTD.	Other related parties
Trade-van Information Services Co.	Other related parties
STARLUX Airlines Co., Ltd	Other related parties
Chang Yung-Fa Foundation	Other related parties

(c) Significant transactions with related parties

(i) Operating revenue

Significant sales to related parties were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Parent company-EVA Airways Corp.	\$ 1,391,610	1,296,552
Juristic person shareholder-Uni Airways Corp.	157,504	165,108
Associates-GE Evergreen Engine Services Corp.	164,371	274,705
Associates-others	17,896	-
Other related parties	171	179
	<u>\$ 1,731,552</u>	<u>1,736,544</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

The prices for sales to related parties are not materially different from those of the third-parties sales. The payment terms are within 1~2 months, which do not materially differ from those of third-party transactions. There was no collateral on the accounts receivable from related parties.

(ii) Operating costs

Significant operating costs from transactions with related parties of the Company were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Parent company-EVA Airways Corp.	\$ 26,586	24,435
Juristic person shareholder-Uni Airways Corp.	107	322
Associates-GE Evergreen Engine Services Corp.	1,704	1,284
Other related parties:		
Evergreen Airline Services Corp.	44,819	38,044
Evergreen Sky Catering Corp.	46,614	44,759
Evergreen Logistics Corporation	46,130	37,606
Others	60,765	47,222
	<u><u>\$ 226,725</u></u>	<u><u>193,672</u></u>

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were no different from the payment terms given by other vendors.

(iii) Operating expenses

Significant operating expenses from transactions with related parties of the Company were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Parent company-EVA Airways Corp.	\$ 1,421	1,350
Other related parties:		
Evergreen Sky Catering Corp.	3,457	3,035
Evergreen International Corp.	1,203	424
Evergreen International Storage & Transport Corp.	1,652	1,274
Evergreen Security Corp.	1,374	1,407
Others	1,770	621
	<u><u>\$ 10,877</u></u>	<u><u>8,111</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. The payment terms ranged from one to two months, which were no different from the payment terms given by other vendors.

(iv) Property transaction

- 1) The acquires of property, plant and equipment and spare parts from related parties were as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Parent company-EVA Airways Corp.	\$ 7,565	13,578
Other related parties:		
Ever Accord Construction Corp.	54,660	147,620
Evergreen Security Corp.	3,713	-
Others	349	75
	\$ 66,287	161,273

In October 2019, the Company entered into a contract with Ever Accord Construction Corp. amounting to \$370,700 thousand for the purpose of the construction of its spare parts maintenance factory. The amount of contract price was corrected to \$680,613 thousand due to the demand of electromechanical system in May 2022. As of June 30, 2022, December 31 and June 30, 2021, the Company has partially paid the price of \$680,613 thousand, \$634,719 thousand and \$563,012 thousand, respectively.

- 2) Disposals of property, plant and equipment

The disposals of property, plant and equipment to related parties are summarized as follows:

Class of related parties	For the six months ended June 30, 2022	
	Disposal price	Gain on disposal
Parent company-EVA Airways Corp.	\$ 3,467	1,963
Class of related parties	For the six months ended June 30, 2021	
	Disposal price	Gain on disposal
Parent company-EVA Airways Corp.	\$ 3,103	752
Juristic person shareholder-Uni Airways Corp.	20	-
	\$ 3,123	752

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

3) Other

In December 2019, the Company sold the buildings, which were located in No. 87 and No. 110, Zhongzheng Section, Dayuan District, Taoyuan City, as well as machinery and other equipment to GE Evergreen Engine Services Corp.. Gains of disposal were deferred, the amount were as follows:

	Deferred gains (note)		
	June 30, 2022	December 31, 2021	June 30, 2021
GE Evergreen Engine Services Corp.	<u>\$ 500,779</u>	<u>533,967</u>	<u>567,154</u>

Note: The deferred gains were included investments accounted for using equity method.

(v) Lease

The Company leased the factories to its associates, GE Evergreen Engine Services Corp., and the rent income received monthly is based on the nearby factories rental ate. The amount of rent income were \$8,531 thousand and \$1,394 thousand for the six months ended June 30, 2022 and 2021, respectively. The preceding rent payment has been received.

(vi) Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	June 30, 2022	December 31, 2021	June 30, 2021
Accounts receivable	Parent company-EVA Airways Corp.	\$ 428,134	466,359	414,768
Accounts receivable	Juristic person shareholder-Uni Airways Corp.	74,023	94,340	54,218
Accounts receivable	Associates-others	48,789	49,726	41,710
Accounts receivable	Other related parties	99	-	14
Subtotal		<u>551,045</u>	<u>610,425</u>	<u>510,710</u>
Other receivables	Parent company-EVA Airways Corp.	1,036	1,042	1,152
Other receivables	Juristic person shareholder-Uni Airways Corp.	220	196	125
Other receivables	Associates-GE Evergreen Engine Service Corp.	35,026	7,174	108,322
Other receivables	Associates-others	117	7	-
Other receivables	Other related parties	163	166	207
Subtotal		<u>36,562</u>	<u>8,585</u>	<u>109,806</u>
		<u>\$ 587,607</u>	<u>619,010</u>	<u>620,516</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

As of June 30, 2022, December 31 and June 30, 2021, the Company had recognized dividends receivable from GE Evergreen Engine Service Corp., amounting to \$31,550 thousand, \$0 thousand and \$102,008 thousand, as other receivables from related parties, respectively.

(vii) Payables to related parties

Payables to related parties of the Company were as follows:

<u>Account</u>	<u>Class of related parties</u>	<u>June 30, 2022</u>	<u>December 31, 2021</u>	<u>June 30, 2021</u>
Accounts payable	Parent company-EVA Airways Corp.	\$ 7,893	5,509	5,165
Accounts payable	Juristic person shareholder-Uni Airways Corp.	257	22	15
Accounts payable	Associates-others	6	6	885
Accounts payable	Other related parties:			
	Ever Accord Consturction Corp.	4,444	3,356	17,776
	Evergreen Sky Catering Corp.	7,087	6,893	6,106
	Evergreen Airline Services Corp.	9,072	7,870	11,449
	Evergreen Security Corp.	6,879	3,321	3,257
	Evergreen Logistics Corporation	4,852	1,807	8,011
	Others	<u>5,398</u>	<u>5,000</u>	<u>3,977</u>
Subtotal		<u>45,888</u>	<u>33,784</u>	<u>56,641</u>
Other payables	Parent company-EVA Airways Corp.	419,280	8,086	8,221
Other payables	Juristic person shareholder-Uni Airways Corp.	101,696	-	-
Other payables	Associates-GE Evergreen Engine Services Corp.	1,376	-	-
Other payables	Other related parties	<u>16,642</u>	<u>5,855</u>	<u>4,606</u>
Subtotal		<u>538,994</u>	<u>13,941</u>	<u>12,827</u>
		<u>\$ 584,882</u>	<u>47,725</u>	<u>69,468</u>

As of June 30, 2022, December 31 and June 30, 2021, the Company had recognized dividends payable to Parent company- EVA Airways Corp. and juristic person shareholder-Uni Airways Corp, amounting to \$514,074 thousand, \$0 thousand, and \$0 thousand as other payables to related parties, respectively.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(d) Key management personnel compensation

(i) Key management personnel compensation was comprised as follows:

	For the six months ended June 30, 2022	For the six months ended June 30, 2021
Short-term employee benefits	\$ 20,965	19,160
Post-employment benefits	507	513
	<u>\$ 21,472</u>	<u>19,673</u>

- (ii) In order to prepare for the listing of the Company and comply with the “Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings”, the release of the shares of the Company held by the EVA Airways Corp., (hereinafter refer to as EVA), was resolved in the shareholders’ meeting of EVA on July 16, 2021. The shares shall be subscribed by all shareholders of EVA on the basis of the percentage of shareholdings, and the number of shares of subscription not fully been subscribed by shareholders of EVA shall be purchased by the specific person's designated by the Chairman of EVA. As of December 31, 2021, the Company's key management personnel had subscribed of 231 thousand shares from EVA based on the aforementioned result of the release shares plan. The subscription price, which was referred to the reasonable opinion issued by the professional institution, was set at \$62~\$63 per share. There was no such transaction for the six months ended June 30, 2022.

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2022	December 31, 2021	June 30, 2021
Property, plant, and equipment	Long-term borrowing	<u>\$ 3,906,323</u>	<u>4,005,164</u>	<u>4,104,546</u>
Investment property	Long-term borrowing	<u>\$ 1,098,333</u>	<u>-</u>	<u>-</u>
Time deposit—non-current asset	Guarantees for customs bonded warehouse establishment	\$ 1,882	1,882	1,879
"	Guarantees for Taiwan Air Cargo Terminal Logistics	100	100	100
		<u>\$ 1,982</u>	<u>1,982</u>	<u>1,979</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(9) Significant commitments and contingencies:

Unused letters of credit for the Company were as follows:

	June 30, 2022	December 31, 2021	June 30, 2021
Unused letters of credit	\$ <u>130,151</u>	<u>172,200</u>	<u>135,305</u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

(12) Other

(a) A summary of employee benefits, depreciation, and amortization, by function, is as follows:

By item	By function	For the six months ended June 30, 2022			For the six months ended June 30, 2021		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		1,347,852	98,347	1,446,199	1,168,044	88,466	1,256,510
Labor and health insurance		113,154	7,626	120,780	117,049	7,713	124,762
Pension		66,529	5,118	71,647	69,401	5,321	74,722
Remuneration of directors		-	6,999	6,999	-	4,189	4,189
Others		89,612	4,116	93,728	98,465	7,659	106,124
Depreciation (Note)		361,746	68,687	430,433	329,802	50,264	380,066
Amortization		263	11,380	11,643	3,960	14,293	18,253

Note: For the six months ended June 30, 2021, the depreciation expenses recognized were \$423,674 thousand less rent concession \$43,608 thousand. There was no such transaction for the six months ended June 30, 2022.

(b) Seasonality of operations:

The Company's operations were not affected by seasonality or cyclicity factors.

(13) Other disclosures

(a) Information on significant transactions:

The following is the information on the Company's significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the six months ended June 30, 2022:

(i) Loans to other parties: None.

(ii) Guarantees and endorsements for other parties: None.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

- (iii) Securities held as of June 30, 2022 (excluding investment in subsidiaries, associates and joint ventures): None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:

(In Thousands of New Taiwan dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counterparty is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition and current condition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Evergreen Aviation Technologies Corp.	Spare parts maintenance factory	2019.10.24 2020.5.22 2022.5.5	680,613	680,613	Ever Accord Construction Corp.	Investment through parent company	-	-	-	-	Where land is acquired under an arrangement on engaging others to build on the Company's own land, decided by the Board of Directors.	Because of spare parts maintenance business increase	None

- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/accounts receivable (payable)		Note
			Purchases / sales	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
Evergreen Aviation Technologies Corp.	EVA Airways Corp.	Parent company	Sales	1,391,610	23.92	60 days	-		428,134	16.72	
"	GE Evergreen Engine Services Corp.	Investee company accounted for under equity method	"	164,371	2.83	30 days	-		40,196	1.57	
"	Uni Airways Corp.	Juristic Person shareholder	"	157,504	2.71	60 days	-		74,023	2.89	

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

Name of company	Related party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for impairment loss
					Amount	Action taken		
Evergreen Aviation Technologies Corp.	EVA Airways Corp.	Parent company	429,170	6.21	-		429,170	-

- (ix) Trading in derivative instruments: None.
- (x) Business relationships and significant inter-company transactions : None.

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)
EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2022 (excluding information on investees in Mainland China):

(In Thousands of New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2022			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2022	December 31, 2021	Shares	Ratio of shares	Book value			
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	No. 8 Harg-Jann S. Rd., Taiwan Taoyuan Int'l. Airport, Dayuan, Taoyuan City, Taiwan	Maintenance, manufacturing and trading of aircraft and accessories	2,032,845	2,032,845	203,285	49.00 %	1,629,888	133,272	65,303	Note 1
"	Spirit Evergreen Aftermarket Solutions Co., Ltd.	3F, No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 328453, Taiwan (R.O.C.)	Maintenance, repair and overhaul of aircraft	13,695	13,695	1,369	49.00 %	8,860	(7,049)	(3,454)	Note 1
"	Ever Superior Technologies Corporation	2F, No. 528, Sec. 1, Chenggong Rd., Guanyin Dist., Taoyuan City 328453, Taiwan (R.O.C.)	Chemical processing on metal products	63,000	63,000	6,300	35.00 %	50,743	(21,931)	(7,676)	Note 1

Note 1: Investee company accounted for under equity method.

(c) Information on investment in Mainland China: None.

(14) Segment information:

There were no significant changes in the Company's division, as well as the profit and loss measurement basis, as disclosed in note 14 in the financial statements for the year ended December 31, 2021.

The Company's operating segment information and reconciliation are as follows:

For the six months ended June 30, 2022				
	Maintenance segment	Manufacturing segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 4,600,071	1,216,690	-	5,816,761
Intersegment revenue	2,406	1,922	(4,328)	-
Total revenue	<u>\$ 4,602,477</u>	<u>1,218,612</u>	<u>(4,328)</u>	<u>5,816,761</u>
Reportable segment profit or loss	<u>\$ 1,008,408</u>	<u>8,363</u>	<u>-</u>	<u>1,016,771</u>

Total reportable segment revenue after deducting the intersegment revenue was \$4,328 thousand for the six months ended June 30, 2022.

For the six months ended June 30, 2021				
	Maintenance segment	Manufacturing segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 4,034,453	753,501	-	4,787,954
Intersegment revenue	5,830	1,675	(7,505)	-
Total revenue	<u>\$ 4,040,283</u>	<u>755,176</u>	<u>(7,505)</u>	<u>4,787,954</u>
Reportable segment profit or loss	<u>\$ 746,155</u>	<u>(200,068)</u>	<u>-</u>	<u>546,087</u>

Total reportable segment revenue after deducting the intersegment revenue was \$7,505 thousand for the six months ended June 30, 2021.