

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

**EVERGREEN AVIATION TECHNOLOGIES
CORPORATION**

Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2023 and 2022**

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The independent auditors' 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' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of Evergreen Aviation Technologies Corporation:

Opinion

We have audited the financial statements of Evergreen Aviation Technologies Corporation (“the Company”), which comprise the balance sheet as of December 31, 2023 and 2022, the statement of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), Interpretations developed by the International Financial Reporting Interpretations Committee (“IFRIC”) or the former Standing Interpretations Committee (“SIC”) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Financial Statements Audit and Attestation Engagements of Certified Public Accountants and Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Account of 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 of 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 of the current period. 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. We have determined the matters described below to be the key audit matters to be communicated in our report:

Revenue Recognition

Please refer to note 4(n) “Revenue”, note 5 “Significant accounting assumptions and judgements, and major sources of estimation uncertainty”, and note 6(q) “Revenue from contracts with customers” to the financial statements.

Description of key audit matter:

1. Maintenance services:

As the Company's maintenance department operates in the aviation maintenance industry, its revenue recognition for maintenance services is calculated using the percentage of completion, where revenue is recognized as services are performed over time. The completion of performance obligations is measured using labor as the basis. Since the evaluation on completion involves management's subjective judgment, revenue recognition for incomplete contracts is one of our key audit matters.

2. Sales of Goods:

The sales of aircraft components from the manufacturing department of the Company are subject to the terms and conditions agreed upon in sales contracts with customers, wherein it will affect the timing of revenue recognition and transfer of control to the buyer to be in compliance with the accounting standards, resulting in a risk of inappropriately recognizing the revenue during the periods when control of the products has not yet been transferred to the customer. As a result, inappropriate revenue recognition during these periods is one of our key audit matters.

Our key audit procedures included:

1. Maintenance Services:

- Understanding the revenue contract terms and transaction conditions of the Company, and assessing the appropriateness of revenue recognition.
- Evaluating the revenue recognition on the effectiveness of internal controls implemented by the Company.
- Selecting samples from incomplete work orders, examining relevant documents to confirm that the Company has fulfilled its performance obligations and adhered to the accounting policies for revenue recognition.
- Assessing the adequacy of management's disclosure on information related to revenue recognition.

2. Sales of Goods:

- Understanding the main types of revenue, contract terms, and transaction conditions to assess the correctness of the timing of revenue recognition.
- Reviewing sales contracts with major customers and testing the internal controls of the Company related to shipping operations and revenue recognition procedures.
- Selecting shipments before and after the balance sheet date, and verifying relevant documents and forms, to ensure that sales revenue is recognized in the financial report within the appropriate period.
- Conducting a variance analysis on revenue from major customers to assess any significant abnormalities.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers, and with the IFRSs, IASs, IFRIC, SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, 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 Audit committee) are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 auditor's 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 auditor's 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 the investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period 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 are Chen, Ya-Ling and Huang, Ming-Hung.

KPMG

Taipei, Taiwan (Republic of China)
March 11, 2024

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 audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' audit 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' audit report and financial statements, the Chinese version shall prevail.

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

EVERGREEN AVIATION TECHNOLOGIES CORPORATION**Balance Sheets****December 31, 2023 and 2022****(expressed in thousands of New Taiwan dollars)**

Assets		December 31, 2023		December 31, 2022		Liabilities and Equity		December 31, 2023		December 31, 2022	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6(a))	\$ 5,330,034	23	4,241,715	19	2130	Contract liabilities-current (note 6(r))	\$ 19,596	-	9,167	-
1140	Contract assets-current (note (r))	482,464	2	544,841	3	2280	Current lease liabilities (note 6(l))	109,585	1	96,818	-
1170	Notes and accounts receivable, net (notes 6(b) and (r))	2,094,535	9	1,668,978	8	2170	Accounts payable	715,291	3	700,522	3
1180	Accounts receivable from related parties, net (notes 6(b), (r) and 7)	1,090,586	5	859,961	4	2180	Accounts payable to related parties (note 7)	34,202	-	33,740	-
1200	Other receivables (note 6(c))	14,188	-	14,667	-	2200	Other payables (note 6(t))	469,145	2	365,564	2
1210	Other receivables from related parties (notes 6(c) and 7)	10,888	-	16,775	-	2220	Other payables to related parties (note 7)	45,459	-	16,943	-
130X	Inventories (notes 6(d) and (f))	2,308,576	10	2,217,192	10	2230	Current tax liabilities	458,119	2	397,291	2
1470	Other current assets (note 6(j))	65,534	1	84,402	-	2320	Long-term borrowings, current portion (notes 6(k) and 8)	1,388,185	6	1,619,341	8
Total current assets		11,396,805	50	9,648,531	44	2399	Other current liabilities	66,112	1	42,533	-
Non-current assets:						Total current liabilities		3,305,694	15	3,281,919	15
1550	Investments accounted for using equity method (notes 6(e) and 7)	2,044,576	9	1,954,959	9	Non-Current liabilities:					
1600	Property, plant and equipment (notes 6(f), 7 and 8)	6,133,431	27	6,574,868	30	2540	Long-term borrowings (notes 6(k) and 8)	4,814,800	21	5,564,475	26
1755	Right-of-use assets (note 6(g))	1,978,057	8	2,061,885	10	2580	Non-current lease liabilities (note 6(l))	1,928,899	8	2,015,299	9
1760	Investment property (notes 6(h) and 8)	1,029,594	4	1,075,420	5	2645	Guarantee deposits received	824	-	824	-
1780	Intangible assets (note 6(i))	38,585	-	22,362	-	Total non-Current liabilities		6,744,523	29	7,580,598	35
1840	Deferred income tax assets (note 6(o))	236,910	1	242,058	1	Total liabilities		10,050,217	44	10,862,517	50
1975	Net defined benefit assets (note 6(n))	116,696	1	167,701	1	Equity (notes 6(e), (n), (o), (p) and (q)):					
1900	Other non-current assets (notes 6(f), (j) and 8)	34,487	-	26,919	-	3100	Ordinary shares	3,745,709	16	3,528,069	16
Total non-current assets		11,612,336	50	12,126,172	56	3200	Capital surplus	2,131,649	9	565,262	3
						3300	Retained earnings	7,097,921	31	6,835,571	31
						3400	Other equity	(16,355)	-	(16,716)	-
						Total equity		12,958,924	56	10,912,186	50
Total assets		\$ 23,009,141	100	21,774,703	100	Total liabilities and equity		\$ 23,009,141	100	21,774,703	100

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION**Statements of Comprehensive Income****For the years ended December 31, 2023 and 2022****(expressed in thousands of New Taiwan dollars, except earnings per share)**

		2023		2022	
		Amount	%	Amount	%
4000	Operating revenue (notes 6(r) and 7)	\$ 14,781,798	100	11,847,386	100
5000	Operating costs (notes 6(d), (f), (g), (i), (n), (q), (t), 7 and 12)	<u>(12,141,693)</u>	<u>(82)</u>	<u>(9,950,367)</u>	<u>(84)</u>
	Gross profit from operations	<u>2,640,105</u>	<u>18</u>	<u>1,897,019</u>	<u>16</u>
	Operating expenses (notes 6(b), (f), (g), (i), (l), (n), (q), (t), 7 and 12):				
6200	Selling and administrative expenses	(596,438)	(4)	(569,405)	(5)
6300	Research and development expenses	(54,879)	-	(18,967)	-
6450	Expected credit loss (gain)	<u>(70,542)</u>	<u>(1)</u>	<u>90,621</u>	<u>1</u>
	Total operating expenses	<u>(721,859)</u>	<u>(5)</u>	<u>(497,751)</u>	<u>(4)</u>
	Net operating income	<u>1,918,246</u>	<u>13</u>	<u>1,399,268</u>	<u>12</u>
	Non-operating income and expenses (notes 6(e), (h), (l), (m), (u) and 7):				
7010	Other income	21,802	-	9,610	-
7100	Interest income	107,022	1	45,024	-
7020	Other gains and losses	128,858	1	477,384	4
7050	Finance costs	(149,963)	(1)	(133,599)	(1)
7060	Share of profit of associates accounted for using equity method	<u>212,894</u>	<u>1</u>	<u>171,316</u>	<u>1</u>
	Total non-operating income and expenses	<u>320,613</u>	<u>2</u>	<u>569,735</u>	<u>4</u>
7900	Profit before tax	2,238,859	15	1,969,003	16
7951	Income tax expenses (note 6(o))	<u>(405,827)</u>	<u>(3)</u>	<u>(387,779)</u>	<u>(3)</u>
	Profit	<u>1,833,032</u>	<u>12</u>	<u>1,581,224</u>	<u>13</u>
8300	Other comprehensive income (notes 6(e), (n), (o) and (p)):				
8310	Components of other comprehensive income that will not be reclassified to profit or loss:				
8311	Remeasurements of defined benefit plans	(81,928)	-	298,409	3
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	(6,856)	-	12,459	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>16,386</u>	<u>-</u>	<u>(59,682)</u>	<u>-</u>
	Total components of other comprehensive income that will not be reclassified to profit or loss	<u>(72,398)</u>	<u>-</u>	<u>251,186</u>	<u>3</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	361	-	56,053	-
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>361</u>	<u>-</u>	<u>56,053</u>	<u>-</u>
8300	Other comprehensive income, net of tax	<u>(72,037)</u>	<u>-</u>	<u>307,239</u>	<u>3</u>
	Total comprehensive income	<u>\$ 1,760,995</u>	<u>12</u>	<u>1,888,463</u>	<u>16</u>
	Earnings per share (note 6(s))				
9750	Basic earnings per share (in New Taiwan dollars)	<u>\$ 4.95</u>		<u>4.48</u>	
9850	Diluted earnings per share (in New Taiwan dollars)	<u>\$ 4.93</u>		<u>4.45</u>	

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION**Statements of Changes in Equity****For the years ended December 31, 2023 and 2022****(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, 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 share	-	-	-	-	(705,614)	(705,614)	-	(705,614)
	-	-	85,874	72,769	(864,257)	(705,614)	-	(705,614)
Profit	-	-	-	-	1,581,224	1,581,224	-	1,581,224
Other comprehensive income	-	-	-	-	251,186	251,186	56,053	307,239
Total comprehensive income	-	-	-	-	1,832,410	1,832,410	56,053	1,888,463
Balance on December 31, 2022	3,528,069	565,262	1,713,416	72,769	5,049,386	6,835,571	(16,716)	10,912,186
Appropriation and distribution of retained earnings:								
Legal reserve	-	-	183,241	-	(183,241)	-	-	-
Special reserve	-	-	-	(56,053)	56,053	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,498,284)	(1,498,284)	-	(1,498,284)
	-	-	183,241	(56,053)	(1,625,472)	(1,498,284)	-	(1,498,284)
Profit	-	-	-	-	1,833,032	1,833,032	-	1,833,032
Other comprehensive income	-	-	-	-	(72,398)	(72,398)	361	(72,037)
Total comprehensive income	-	-	-	-	1,760,634	1,760,634	361	1,760,995
Cash subscription	217,640	1,483,481	-	-	-	-	-	1,701,121
Share-based payments	-	82,906	-	-	-	-	-	82,906
Balance on December 31, 2023	\$ 3,745,709	2,131,649	1,896,657	16,716	5,184,548	7,097,921	(16,355)	12,958,924

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION**Statements of Cash Flows****For the years ended December 31, 2023 and 2022****(expressed in thousands of New Taiwan dollars)**

	2023	2022
Cash flows from operating activities:		
Profit before tax	\$ 2,238,859	1,969,003
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	732,094	850,852
Amortization expense	30,475	23,064
Expected credit loss (gain)	70,542	(90,621)
Net gains on financial assets or liabilities at fair value through profit or loss	(410)	-
Interest expense	149,963	133,599
Interest income	(107,022)	(45,024)
Share-based payments	82,906	-
Shares of profits of associates accounted for using equity method	(212,894)	(171,316)
Gains on disposal of property, plant and equipment	(6,346)	(26,582)
Others	(17,772)	(66,285)
Total adjustments to reconcile profit	721,536	607,687
Changes in operating assets and liabilities:		
Changes in operating assets:		
Contract assets	62,377	(68,038)
Notes and accounts receivable, including related parties	(726,724)	(803,137)
Other receivables, including related parties	10,602	(17,777)
Inventories	(91,116)	(355,195)
Other current assets	18,868	(4,073)
Total changes in operating assets	(725,993)	(1,248,220)
Changes in operating liabilities:		
Contract liabilities	10,429	(37,540)
Accounts payable, including related parties	15,231	296,009
Other payables, including related parties	134,272	(134,090)
Other current liabilities	23,579	15,606
Net defined benefit liabilities	(30,923)	(48,419)
Total changes in operating liabilities	152,588	91,566
Total changes in operating assets and liabilities	(573,405)	(1,156,654)
Total adjustments	148,131	(548,967)
Cash inflow generated from operations	2,386,990	1,420,036
Income taxes paid	(323,465)	(182,464)
Net cash flows from operating activities	2,063,525	1,237,572
Cash flows generated from (used in) investing activities:		
Acquisition of financial assets at fair value through profit or loss	(620,000)	-
Proceeds from disposal of financial assets at fair value through profit or loss	620,410	-
Acquisition of investments accounted for using equity method	-	(97,857)
Acquisition of property, plant and equipment	(147,367)	(114,512)
Proceeds from disposal of property, plant and equipment	15,831	54,944
Acquisition of intangible assets	(46,698)	(6,456)
Proceeds from disposal of intangible assets	-	320
Acquisition of investment property	-	(54,393)
Decrease (increase) in other non-current assets	14,812	(6,445)
Increase in prepayments for business facilities	(59,055)	(37,623)
Interest received	102,786	43,108
Dividends received	180,415	31,550
Net cash flows generated from (used in) investing activities	61,134	(187,364)
Cash flows generated from (used in) financing activities:		
Proceeds from long-term borrowings	3,926,735	1,125,000
Repayments of long-term borrowings	(4,907,566)	(3,022,478)
Payment of lease liabilities	(108,138)	(81,873)
Cash dividends paid	(1,498,284)	(705,614)
Cash subscription	1,701,121	-
Interest paid	(150,208)	(132,582)
Net cash used in financing activities	(1,036,340)	(2,817,547)
Net increase (decrease) in cash and cash equivalents	1,088,319	(1,767,339)
Cash and cash equivalents at beginning of period	4,241,715	6,009,054
Cash and cash equivalents at end of period	\$ 5,330,034	4,241,715

See accompanying notes to financial statements.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Notes to the Financial Statements

For the years ended December 31, 2023 and 2022

(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 March 11, 2024.

(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, 2023:

- 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”

The Company has initially adopted the new amendment, which do not have a significant impact on its financial statements, from May 23, 2023:

- Amendments to IAS 12 “International Tax Reform—Pillar Two Model Rules”

(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, 2024, would not have a significant impact on its financial statements:

- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Non-current Liabilities with Covenants”
- Amendments to IAS 7 and IFRS 7 “Supplier Finance Arrangements”
- Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”

(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 IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- Amendments to IAS21 “Lack of Exchangeability”

(4) Summary of material accounting policies:

The material accounting policies presented in the financial statements are summarized below. The following accounting policies were applied consistently throughout the periods presented in the financial statements.

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

(b) Basis of preparation

(i) Basis of measurement

Except for the defined benefit liabilities measured at the present value of the defined benefit obligation less the fair value of the plan assets, the financial statements have been prepared on a historical cost basis.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
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(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The financial statements are presented in New Taiwan dollars (NTD), which is the Company's functional currency. All financial information presented in NTD has been rounded to the nearest thousand.

(c) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Company at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of transaction.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- 1) an investment in equity securities designated as at fair value through other comprehensive income;
- 2) a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- 3) qualifying cash flow hedges to the extent the hedges are effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations, are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Company disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
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When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current:

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or
- (iv) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current:

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

(f) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(i) Financial assets

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

On initial recognition, a financial asset is classified as measured at amortized cost; fair value through other comprehensive income (FVOCI) – equity investment; Fair value through profit or loss (FVTPL). Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

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Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Company's right to receive payment is established.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivables, other receivables, guarantee deposit paid and other financial assets) and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

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When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 365 days past due or the debtor is unlikely to pay its credit obligations to the Company in full.

The Company considers time deposits security to have low credit risk when financial institutions' credit risk rating is equivalent to the globally understood definition of investment grade which is considered to be good or higher.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 60 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income instead of reducing the carrying amount of the asset.

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The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

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

2) Financial liabilities

Financial liabilities are classified as measured at amortized cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

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4) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of those associated, after adjustments to align the accounting policies with those of the Company, from the date on which significant influence commences until the date on which significant influence ceases. The Company recognizes any changes, of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in actual proportionate share.

Gains and losses resulting from transactions between the Company and an associate are recognized only to the extent of unrelated Company's interests in the associate.

When the Company's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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When the Company subscribes to additional shares in an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment will differ from the amount of the Company's proportionate interest in the net assets of the associate. The Company records such a difference as an adjustment to investments, with the corresponding amount charged or credited to capital surplus. The aforesaid adjustment should first be adjusted under capital surplus. If the capital surplus resulting from changes in ownership interest is not sufficient, the remaining difference is debited to retained earnings. If the Company's ownership interest is reduced due to the additional subscription to the shares of the associate by other investors, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate will be reclassified to profit or loss on the same basis as would be required if the associate had directly disposed of the related assets or liabilities.

(i) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost which includes capitalized borrowing costs less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

The estimated useful lives for the current and comparative years of property, plant and equipment are as follows:

- 1) Buildings and structures: 4 to 35 years
- 2) Machinery and equipment: 3 to 32 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

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- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change in the lease term resulting from a change of its assessment on whether it will exercise an option to purchase the underlying asset, or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modification

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Company accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Company presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including maintenance equipment and office equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Company elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- the rent concessions occurring as a direct consequence of the COVID-19 pandemic;
- the change in lease payments that resulted in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

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- any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2022; and
- there is no substantive change in other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(ii) As a lessor

When the Company acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies IFRS15 to allocate the consideration in the contract.

(l) Intangible assets

(i) Recognition and measurement

Other intangible assets, including computer software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

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The estimated useful lives for current and comparative periods are as follows:

- 1) Computer software 3~5 years
- 2) Specialized technology 5 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(m) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

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1) Maintenance services

The Company provides maintenance services, wherein the fees vary depending on the agreement with each customer prior to service delivery. The Company also adjusts the maintenance items based on actual on-site inspections, with each maintenance service fee being negotiated independently at market prices prevailing at the time. Revenue is recognized upon satisfying each performance obligation identified in customer contracts. Revenue related to the provision of maintenance services is recognized when the service is provided. These services rely on the input of technical personnel, and progress is measured based on the proportion of costs incurred to the estimated total costs, with revenue and contract assets recognized accordingly. Contract assets are then reclassified as accounts receivable upon completion of the maintenance as agreed with the customer.

2) Sale of goods

The Company recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell of the product, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Accounts receivable are recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Contract costs

1) Incremental costs of obtaining a contract

The Company recognizes as an asset the incremental costs of obtaining a contract with a customer if the Company expects to recover those costs. The incremental costs of obtaining a contract are those costs that the Company incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognized as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

The Company applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

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(o) Government grants

The Company recognizes an unconditional government grant related project research and development as non-operating income when grant becomes receivable. Grants that compensate the Company for expenses or losses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses or losses are recognized.

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Company's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

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(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Share-based payment transactions

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Grant date of a share-based payment award is the date which reaches a conclusion about price and number of a new award between the Company and employee.

(r) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainly related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
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- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.
- (s) Earnings per share (EPS)

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted-average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation.

- (t) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Company). Operating results of the operating segment are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

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Notes to Financial Statements

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

The preparation of the financial statements in conformity with the Regulations 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 management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

The Company likely to be facing economic uncertainties such as natural disasters, international political uncertainties and inflation. Those events may cause a significant impact in the next financial year on the following accounting estimates, which depend on the future forecasts.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year is as follows. Those assumptions and estimation have been updated to reflect the impact of economic uncertainties:

Revenue recognition

The Company provides maintenance services, wherein the fees vary depending on the agreement with each customer prior to service delivery. Revenue related to the provision of maintenance services is recognized when the service is provided. These services rely on the input of technical personnel, and progress is measured based on the proportion of costs incurred to the estimated total costs, with revenue and contract assets recognized accordingly. Contract assets are then reclassified as accounts receivable upon completion of the maintenance as agreed with the customer.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2023	December 31, 2022
Cash on hand	\$ 1,609	1,506
Cash in bank	783,620	779,559
Time deposit	4,544,805	3,460,650
Cash and cash equivalents	\$ 5,330,034	4,241,715

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

(b) Notes and accounts receivable

	December 31, 2023	December 31, 2022
Notes receivable	\$ 436	897
Accounts receivable (including related parties)	3,288,533	2,561,348
Less: loss allowance	(103,848)	(33,306)
	\$ 3,185,121	2,528,939

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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. The loss allowances were determined as follows:

December 31, 2023			
	Notes and accounts receivable (including related parties) carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 3,137,657	0.00%	48
Overdue 1~30 days	45,406	0.04%	17
Overdue 31~60 days	1,899	0.23%	4
Overdue 61 days but less than one year	104,007	0.56%~100%	103,779
	\$ 3,288,969		103,848

December 31, 2022			
	Notes and accounts receivable (including related parties) carrying amount	Weighted- average loss rate	Loss allowance provision
Current	\$ 2,413,700	0%~0.03%	732
Overdue 1~30 days	99,931	0.61%~100%	6,748
Overdue 31~60 days	15,829	3.33%	527
Overdue 61 days but less than one year	32,735	11.58%~100%	25,249
Overdue more than one year	50	100%	50
	\$ 2,562,245		33,306

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

	2023	2022
Balance at January 1	\$ 33,306	126,316
Amounts written off	-	(2,389)
Impairment losses recognized (reversed)	70,542	(90,621)
Balance at December 31	\$ 103,848	33,306

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Notes to Financial Statements

As of December 31, 2023 and 2022, the notes and accounts receivable were not pledged as collateral for borrowings.

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

(c) Other receivables

	December 31, 2023	December 31, 2022
Other receivables	\$ 14,188	14,667
Other receivables-related parties	10,888	16,775
Less: loss allowance	-	-
	<u>\$ 25,076</u>	<u>31,442</u>

As of December 31, 2023 and 2022, the aforementioned financial assets were not pledged as collateral for borrowings. Other credit risk information please refer to note 6(v).

For the years ended ends December 31, 2023 and 2022, there were no impairment loss recognized for other receivables.

(d) Inventories

(i) The component were as follows:

	December 31, 2023	December 31, 2022
Spares and expendable part	\$ 534,053	480,601
Raw material	817,523	769,222
Work-in-progress	766,316	675,513
Finished goods	190,684	291,856
	<u>\$ 2,308,576</u>	<u>2,217,192</u>

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

	2023	2022
Write-down of inventories (reversal of write-down)	\$ (191,823)	(48,707)
Unallocated fixed manufacturing overhead	277,001	216,590
Losses (gains) on inventory count	7	(6)
Scrap income	(5,581)	(7,313)
	<u>\$ 79,604</u>	<u>160,564</u>

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

(iii) As of December 31, 2023 and 2022, these inventories were not pledged as collateral of borrowings.

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Notes to Financial Statements

(e) Investments accounted for using equity method

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

	December 31, 2023	December 31, 2022
Associates	\$ 2,044,576	1,954,959

(ii) Associates

Name of associates	Nature of relationship with the Company	Main operating location/ registered country of the Company	Percentage of shareholding voting rights	
			December 31, 2023	December 31, 2022
GE Evergreen Engine Services Corp.	Maintenance, repair and overhaul of aircraft engines	R.O.C.	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 %

In the third quarter of 2022, the Company subscribed the new shares contributed by Spirit Evergreen Aftermarket Solutions Co. Ltd. for \$97,857 thousand in cash based on the percentage of its shareholding.

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:

	December 31, 2023	December 31, 2022
Current assets	\$ 5,064,881	6,323,491
Non-current assets	3,393,456	3,490,839
Current liabilities	(3,003,625)	(4,438,283)
Non-current liabilities	(712,531)	(716,605)
Net assets	\$ 4,742,181	4,659,442
	2023	2022
Operation revenue	\$ 21,809,874	18,517,186
Profit from continuing operations	\$ 464,183	409,144
Other comprehensive income	(13,254)	139,820
Comprehensive income	\$ 450,929	548,964

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	2023	2022
Share of net assets of the associates as of January 1	\$ 2,283,125	2,045,683
Comprehensive income attributable to the Company	220,955	268,992
Dividends received from the associate	(180,415)	(31,550)
Share of net assets of the associates as of December 31	2,323,665	2,283,125
Less: downstream transaction unrealized gain	(403,958)	(467,591)
Ending balance of associated owned by the Company	<u><u>\$ 1,919,707</u></u>	<u><u>1,815,534</u></u>

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

	December 31, 2023	December 31, 2022
Carrying amount of individually insignificant associates' equity	<u><u>\$ 124,869</u></u>	<u><u>139,425</u></u>

Attributable to the Group:

	2023	2022
Loss from continuing operations	\$ (14,556)	(29,164)
Other comprehensive income	-	-
Comprehensive income	<u><u>\$ (14,556)</u></u>	<u><u>(29,164)</u></u>

(iii) Pledge

As of December 31, 2023 and 2022, 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, 2023	\$ 759,534	8,727,902	5,734,189	-	15,221,625
Additions	-	-	136,484	10,883	147,367
Disposals	-	-	(133,829)	-	(133,829)
Reclassification (Note)	-	-	36,574	(3,480)	33,094
Balance as of December 31, 2023	<u><u>\$ 759,534</u></u>	<u><u>8,727,902</u></u>	<u><u>5,773,418</u></u>	<u><u>7,403</u></u>	<u><u>15,268,257</u></u>
Beginning balance as of January 1, 2022	\$ 759,534	8,727,902	5,793,551	2,530	15,283,517
Additions	-	-	103,725	10,787	114,512
Disposals	-	-	(204,906)	-	(204,906)
Reclassification (Note)	-	-	41,819	(13,317)	28,502
Balance as of December 31, 2022	<u><u>\$ 759,534</u></u>	<u><u>8,727,902</u></u>	<u><u>5,734,189</u></u>	<u><u>-</u></u>	<u><u>15,221,625</u></u>

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	<u>Land</u>	<u>Building and structures</u>	<u>Machinery and equipment</u>	<u>Unfinished construction</u>	<u>Total</u>
Accumulated depreciation:					
Beginning balance as of January 1, 2023	\$ -	4,477,460	4,169,297	-	8,646,757
Depreciation	-	315,145	298,616	-	613,761
Disposals	-	-	(124,344)	-	(124,344)
Reclassification (Note)	-	-	(1,348)	-	(1,348)
Balance as of December 31, 2023	<u>\$ -</u>	<u>4,792,605</u>	<u>4,342,221</u>	<u>-</u>	<u>9,134,826</u>
Beginning balance as of January 1, 2022	\$ -	4,162,001	3,974,061	-	8,136,062
Depreciation	-	315,459	372,481	-	687,940
Disposals	-	-	(176,544)	-	(176,544)
Reclassification (Note)	-	-	(701)	-	(701)
Balance as of December 31, 2022	<u>\$ -</u>	<u>4,477,460</u>	<u>4,169,297</u>	<u>-</u>	<u>8,646,757</u>
Carrying amounts:					
Balance as of December 31, 2023	<u>\$ 759,534</u>	<u>3,935,297</u>	<u>1,431,197</u>	<u>7,403</u>	<u>6,133,431</u>
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 December 31, 2022	<u>\$ 759,534</u>	<u>4,250,442</u>	<u>1,564,892</u>	<u>-</u>	<u>6,574,868</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 December 31, 2023 and 2022, 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) 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.

(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 January 1, 2023	\$ 2,475,765	-	2,475,765
Additions	4,006	30,499	34,505
Balance at December 31, 2023	<u>\$ 2,479,771</u>	<u>30,499</u>	<u>2,510,270</u>
Balance at January 1, 2022	\$ 2,499,098	40,569	2,539,667
Disposal	(23,333)	(40,569)	(63,902)
Balance at December 31, 2022	<u>\$ 2,475,765</u>	<u>-</u>	<u>2,475,765</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ 413,880	-	413,880
Depreciation	108,167	10,166	118,333
Disposal	-	-	-
Balance at December 31, 2023	<u>\$ 522,047</u>	<u>10,166</u>	<u>532,213</u>

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	Land	Buildings and structures	Total
Balance at January 1, 2022	\$ 329,267	30,426	359,693
Depreciation	107,946	10,143	118,089
Disposal	(23,333)	(40,569)	(63,902)
Balance at December 31, 2022	<u>\$ 413,880</u>	<u>-</u>	<u>413,880</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 1,957,724</u>	<u>20,333</u>	<u>1,978,057</u>
Balance at January 1, 2022	<u>\$ 2,169,831</u>	<u>10,143</u>	<u>2,179,974</u>
Balance at December 31, 2022	<u>\$ 2,061,885</u>	<u>-</u>	<u>2,061,885</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.

The movements of investment property were as follows:

	Land	Buildings and structures	Total
Cost:			
Balance at December 31, 2023 (same as beginning at January 1, 2023)	<u>\$ 354,061</u>	<u>791,923</u>	<u>1,145,984</u>
Balance at January 1, 2022	\$ 354,061	737,530	1,091,591
Acquisitions	-	54,393	54,393
Balance at December 31, 2022	<u>\$ 354,061</u>	<u>791,923</u>	<u>1,145,984</u>
Accumulated depreciation:			
Balance at January 1, 2023	\$ -	70,564	70,564
Depreciation	-	45,826	45,826
Balance at December 31, 2023	<u>\$ -</u>	<u>116,390</u>	<u>116,390</u>
Balance at January 1, 2022	\$ -	25,741	25,741
Depreciation	-	44,823	44,823
Balance at December 31, 2022	<u>\$ -</u>	<u>70,564</u>	<u>70,564</u>
Carrying amount:			
Balance at December 31, 2023	<u>\$ 354,061</u>	<u>675,533</u>	<u>1,029,594</u>
Balance at January 1, 2022	<u>\$ 354,061</u>	<u>711,789</u>	<u>1,065,850</u>
Balance at December 31, 2022	<u>\$ 354,061</u>	<u>721,359</u>	<u>1,075,420</u>
Fair value:			
Balance at December 31, 2023		\$ 1,500,459	
Balance at January 1, 2022		\$ 1,393,802	
Balance at December 31, 2022		<u>\$ 1,461,205</u>	

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Notes to Financial Statements

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 December 31, 2023 and 2022, the Company's investment property, plant and equipment were used as pledge for long-term borrowing and lines of credit, please refer to note 8.

(i) Intangible assets

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

	<u>Computer software</u>	<u>Specialized technology</u>	<u>Total</u>
Cost:			
Beginning balance as of January 1, 2023	\$ 201,480	-	201,480
Additions	25,559	21,139	46,698
Disposal	(665)	-	(665)
Balance as of December 31, 2023	<u>\$ 226,374</u>	<u>21,139</u>	<u>247,513</u>
Beginning balance as of January 1, 2022	\$ 200,257	-	200,257
Additions	6,456	-	6,456
Disposal	(5,233)	-	(5,233)
Balance as of January 1, 2023	<u>\$ 201,480</u>	<u>-</u>	<u>201,480</u>
Amortization:			
Beginning balance as of January 1, 2023	\$ 179,118	-	179,118
Amortization	26,247	4,228	30,475
Disposal	(665)	-	(665)
Balance as of December 31, 2023	<u>\$ 204,700</u>	<u>4,228</u>	<u>208,928</u>
Beginning balance as of January 1, 2022	\$ 161,004	-	161,004
Amortization	23,064	-	23,064
Disposal	(4,950)	-	(4,950)
Balance as of December 31, 2022	<u>\$ 179,118</u>	<u>-</u>	<u>179,118</u>
Carrying amounts:			
Balance as of December 31, 2023	<u>\$ 21,674</u>	<u>16,911</u>	<u>38,585</u>
Balance as of January 1, 2022	<u>\$ 39,253</u>	<u>-</u>	<u>39,253</u>
Balance as of December 31, 2022	<u>\$ 22,362</u>	<u>-</u>	<u>22,362</u>

(i) Amortization

For the years ended December 31, 2023 and 2022, the amortization of intangible assets is included under operating costs and operating expenses in the statement of comprehensive income.

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Notes to Financial Statements

(ii) Pledge

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

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

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

	December 31, 2023	December 31, 2022
Prepayments	<u>\$ 65,534</u>	<u>84,402</u>

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

	December 31, 2023	December 31, 2022
Pledged time deposits	\$ 1,690	1,685
Guarantee deposits	658	1,020
Prepayment for equipment	32,139	9,759
Others	-	14,455
	<u>\$ 34,487</u>	<u>26,919</u>

(k) Long-term borrowings

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

December 31, 2023				
	Currency	Interest rate	Year due	Amount
Unsecured loans	NTD	1.60%~1.98%	2024~2028	\$ 4,574,167
Secured loans	NTD	1.70%~1.83%	2024~2037	<u>1,628,818</u>
Subtotal				6,202,985
Less: current portion				<u>1,388,185</u>
Total				<u>\$ 4,814,800</u>

December 31, 2022				
	Currency	Interest rate	Year due	Amount
Unsecured loans	NTD	1.35%~1.93%	2023~2027	\$ 5,799,401
Secured loans	NTD	1.45%~1.99%	2023~2037	<u>1,384,415</u>
Subtotal				7,183,816
Less: current portion				<u>1,619,341</u>
Total				<u>\$ 5,564,475</u>

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As of December 31, 2023, the details of the future repayment periods and amounts of the Company's long-term borrowings were as follows:

<u>Period</u>	<u>Amount</u>
2024/1/1~2024/12/31	1,388,185
2025/1/1~2025/12/31	2,002,106
2026/1/1~2026/12/31	1,393,227
2027/1/1~2027/12/31	381,020
2028/1/1~2028/12/31	356,319
2029/1/1 and thereafter	682,128
	<u><u>\$ 6,202,985</u></u>

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

(i) Pledge for borrowings

The pledge for borrowings is disclosed in note 8.

(ii) Unused lines of credit

As of December 31, 2023 and 2022, the unused credit lines for short-term and long-term borrowings amounted to \$1,880,000 thousand and \$1,100,000 thousand, respectively.

(l) Lease liabilities

The Company amounts of lease liabilities were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current	<u>\$ 109,585</u>	<u>96,818</u>
Non-current	<u>\$ 1,928,899</u>	<u>2,015,299</u>

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

The amounts recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Interest on lease liabilities	<u>\$ 27,197</u>	<u>28,066</u>
Expenses relating to short-term leases	<u>\$ 37,683</u>	<u>45,782</u>

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

	<u>2023</u>	<u>2022</u>
Total cash outflow for leases	<u>\$ 173,018</u>	<u>155,721</u>

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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 3 years. Some leases include an option to extend the lease for the same duration at 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) set 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:

	December 31, 2023	December 31, 2022
Less than one year	\$ 20,428	18,656
One to two years	20,616	18,843
Two to three years	20,806	19,031
Three to four years	20,998	19,222
Four to five years	21,193	19,414
More than five years	<u>318,206</u>	<u>280,019</u>
Total undiscounted lease payments	<u>\$ 422,247</u>	<u>375,185</u>

For the years ended December 31, 2023 and 2022, the rental income from investment properties were \$20,507 thousand and \$17,817 thousand, respectively.

(n) Employee benefits

(i) Defined benefit plans

Reconciliation of the defined benefit obligations at present value and the plan assets at fair value is as follows:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 2,155,652	2,122,510
Fair value of plan assets	<u>(2,272,348)</u>	<u>(2,290,211)</u>
Net defined benefit liabilities (assets)	<u>\$ (116,696)</u>	<u>(167,701)</u>

The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. The plans (covered by the Labor Standards Act) entitle a retired employee to receive retirement payment calculated by the units based on years of service and average salary for the six months prior to retirement.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds minimum earnings funds shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$2,181,638 thousand and \$2,203,012 thousand as of December 31, 2023 and 2022. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund. Please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

For the years ended December 31, 2023 and 2022, the movements in present value of the defined benefit obligations for the Company were as follows:

	2023	2022
Defined benefit obligations as of January 1	\$ 2,122,510	2,311,701
Current service costs and interest costs	56,283	37,801
Net remeasurements of defined benefit liabilities (assets)	90,467	(136,773)
Benefits paid	(113,608)	(90,219)
Defined benefit obligations as of December 31	<u><u>\$ 2,155,652</u></u>	<u><u>2,122,510</u></u>

3) Movements in the fair value of defined benefit plan assets

For the years ended December 31, 2023 and 2022, the movements in the fair value of the defined benefit plan assets were as follows:

	2023	2022
Fair value of plan assets as of January 1	\$ 2,290,211	2,132,574
Expected return on plan assets	38,209	12,674
Net remeasurements of defined benefit liabilities		
— Return on plan assets (excluding the current interest expense)	8,539	161,636
Contributions from plan participants	43,421	44,468
Benefits paid by the plan	(108,032)	(61,141)
Fair value of plan assets as of December 31	<u><u>\$ 2,272,348</u></u>	<u><u>2,290,211</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

4) Expenses recognized in profit or loss

For the years ended December 31, 2023 and 2022, the expenses recognized in profit or loss were as follows:

	<u>2023</u>	<u>2022</u>
Current services costs	\$ 19,804	23,578
Net interest of net net (asset) liability for defined benefit obligations	(1,730)	1,549
	<u>\$ 18,074</u>	<u>25,127</u>
Operating costs	\$ 16,295	22,501
Operating expenses	1,779	2,626
	<u>\$ 18,074</u>	<u>25,127</u>

5) The remeasurements of the net defined benefit liabilities recognized in other comprehensive income

For the years ended December 31, 2023 and 2022, the Company's remeasurements of the net defined benefit liabilities recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Accumulated losses balance as of January 1	\$ 1,167,577	1,465,986
Losses (gains) recognized during the period	81,928	(298,409)
Accumulated losses balance as of December 31	<u>\$ 1,249,505</u>	<u>1,167,577</u>

6) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting date:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.375%~1.625%	1.750%
Future salary increases	3%	3%

The Company expects to make contributions of \$19,914 thousand to the defined benefit plans in the next year starting from December 31, 2023.

The weighted-average of the defined benefit plans is 9.38 to 10.71 years.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

7) Sensitivity analysis

As of December 31, 2023 and 2022, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation:

	Effects to the defined benefit obligation	
	Favorable	Unfavorable
December 31, 2023		
Discount rate (changes in 0.25%)	(45,980)	47,456
Future salary increasing rate (changes in 0.25%)	(44,250)	45,421
December 31, 2022		
Discount rate (changes in 0.25%)	(48,573)	50,228
Future salary increasing rate (changes in 0.25%)	(46,879)	48,211

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net defined benefit liabilities.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Company set aside 6% of each employee's monthly wages to contribute to the labor pension personal accounts at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to contribute to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside \$132,963 thousand and \$122,599 thousand as pension costs under the defined contribution plans in 2023 and 2022, respectively. Payment was made to the Bureau of Labor Insurance.

(o) Income tax

(i) Income tax expenses

The components of income tax were as follows:

	December 31, 2023	December 31, 2022
Current tax expenses	\$ 384,293	341,509
Deferred tax expenses	21,534	46,270
	\$ 405,827	387,779

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

- (ii) For the years ended December 31, 2023 and 2022, the amounts of income tax benefit recognized in other comprehensive income were as follows:

	<u>2023</u>	<u>2022</u>
Components of other comprehensive income that will not be reclassified to profit or loss:		
Remeasurements of the net defined benefit plans	\$ <u>16,386</u>	<u>(59,682)</u>

For the years ended December 31, 2023 and 2022, reconciliations of income tax expenses and profit before tax were as follows:

	<u>2023</u>	<u>2022</u>
Profit before tax	\$ <u>2,238,859</u>	<u>1,969,003</u>
Income tax using the Company domestic tax rate	\$ 447,772	393,801
Others	(41,945)	(6,022)
Total	\$ <u>405,827</u>	<u>387,779</u>

- (iii) Deferred tax assets and liabilities

- 1) Recognized deferred tax assets and liabilities

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

	<u>Loss on valuation of inventories</u>	<u>Defined benefit plans</u>	<u>Others</u>	<u>Total</u>
Deferred tax assets:				
Balance at January 1, 2023	\$ 128,114	13,414	100,530	242,058
Recognized in profit or loss	(38,201)	(6,154)	22,821	(21,534)
Recognized in other comprehensive income	-	16,386	-	16,386
Balance at December 31, 2023	\$ <u>89,913</u>	<u>23,646</u>	<u>123,351</u>	<u>236,910</u>
Balance at January 1, 2022	\$ 137,855	82,767	127,388	348,010
Recognized in profit or loss	(9,741)	(9,671)	(26,858)	(46,270)
Recognized in other comprehensive income	-	(59,682)	-	(59,682)
Balance at December 31, 2022	\$ <u>128,114</u>	<u>13,414</u>	<u>100,530</u>	<u>242,058</u>

- 2) There were no unrecognized deferred tax liabilities For the years ended December 31, 2023 and 2022.

- (iv) The Company's income tax returns for the years through 2021 were assessed by the local tax authorities.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(p) Capital and other equity

As of December 31, 2023 and 2022, the Company's authorized share capital amounted to \$8,500,000 thousand, consisted of 850,000 thousand shares, of common stock, with a par value of \$10 dollars per share, of which the issued and outstanding share capital were \$3,745,709 thousand and \$3,528,069 thousand, respectively.

(i) Common shares

On December 19, 2022, the Company's board of directors approved a resolution to distribute the cash subscription for pre-IPO underwriting by issuing 21,764 thousand shares, amounting to \$217,640 thousand, at a par value of \$10 per share. The base date for capital subscription was set on March 10, 2023 and all related registration procedures had been completed.

(ii) Capital surplus

The details of capital surplus were as follows:

	December 31, 2023	December 31, 2022
Cash subscription in excess of par value of shares	\$ 1,558,843	-
Reorganization	560,532	560,532
Changes in equity of associates accounted for the using equity method	4,730	4,730
Stock options granted to employees	7,544	-
Total	<u><u>\$ 2,131,649</u></u>	<u><u>565,262</u></u>

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

(iii) Retain earnings

The Company's Article of Incorporation stipulates that Company's net earnings should first be used to offset the prior years' deficits, if any, after 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 Shareholders' 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.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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 shareholder's 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.

On March 11, 2023, the Board of Directors' Meeting resolved to distributed the 2022 earnings. On June 10, 2022, the shareholders' meeting resolved to distribute the 2021 earnings. The relevant dividend distributions to shareholders were as follows:

	2022		2021	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 4.00	<u>1,498,284</u>	2.00	<u>705,614</u>

On March 11, 2024, the Company's Board of Directors resolved to appropriate the 2023 earnings as follows:

	2023	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 4.50	<u>1,685,569</u>

(iv) Other equity

	Exchange differences on translation of foreign financial statements
Beginning balance at January 1, 2023	\$ (16,716)
Exchange differences on associates accounted for using equity method	361
Balance at December 31, 2023	<u>\$ (16,355)</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2022	\$ (72,769)
Exchange differences on associates accounted for using equity method	56,053
Balance at December 31, 2022	<u><u>\$ (16,716)</u></u>

(q) Share-based payment transactions

As of December 31, 2023, the Company had share-based payment agreements as follows:

	Equity-settled Cash-settled share-based payment plan (reserved for employees to subscribe)
Grant date	February 24, 2023
Grant amount	3,264,000
Recipients	Employee
Vesting conditions	Immediately vested

There was no such transaction for the years ended December 31, 2022.

(i) Determining the fair value of equity instruments granted

The Company adopted the Black Scholes model to evaluate the fair value of the share-based payment at the grant date. The consideration inputs were as follows:

	For the years ended December 31, 2023
	Cash capital increase reserved for employee subscription
Fair value at grant date (in dollars)	25.40
Stock price at grant date (in dollars)	93.40
Exercise price (in dollars)	68.00
Expected life	-
Risk-free interest rate (%)	1.0143
Stock Return Volatility (%)	25.47

(ii) Expense recognized in profit or loss

The costs and expenses in connection with share-based payments for the years ended December 31, 2023 incurred by the Company were as follows:

	For the years ended December 31, 2023
Costs and expenses incurred in connection with the cash capital increase allocated to employee subscriptions	<u><u>\$ 82,906</u></u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(r) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2023</u>	<u>2022</u>
Primary geographical markets:		
Taiwan	\$ 6,420,970	4,504,561
Asia	2,251,791	1,689,534
North America	5,342,348	4,604,914
Europe	589,921	903,675
Other	<u>176,768</u>	<u>144,702</u>
	<u><u>\$ 14,781,798</u></u>	<u><u>11,847,386</u></u>
Type of contract:		
Maintenance of aircrafts and other	\$ 11,386,468	9,238,605
Manufacturing and selling of aircrafts related components	<u>3,395,330</u>	<u>2,608,781</u>
	<u><u>\$ 14,781,798</u></u>	<u><u>11,847,386</u></u>

(ii) Contract balances

	<u>December 31, 2023</u>	<u>December 31, 2022</u>	<u>January 1, 2022</u>
Notes and accounts receivable (including related parties)	\$ 3,288,969	2,562,245	1,761,497
Less: loss allowance	<u>(103,848)</u>	<u>(33,306)</u>	<u>(126,316)</u>
Total	<u><u>\$ 3,185,121</u></u>	<u><u>2,528,939</u></u>	<u><u>1,635,181</u></u>
Contract assets-maintenance service	<u><u>\$ 482,464</u></u>	<u><u>544,841</u></u>	<u><u>476,803</u></u>
Contract liabilities-maintenance service	<u><u>\$ 19,596</u></u>	<u><u>9,167</u></u>	<u><u>46,707</u></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 years ended December 31, 2023 and 2022 that were included in the contract liability balance at the beginning of the period were \$6,849 thousand and \$46,707 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.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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.

(s) Earnings per share (“EPS”)

For the years ended December 31, 2023 and 2022, basic earnings per share and diluted earnings per share were calculated as follows:

	<u>2023</u>	<u>2022</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,833,032</u>	<u>1,581,224</u>
Weighted-average number of shares outstanding during the period (thousand shares)	<u>370,516</u>	<u>352,807</u>
Basic earnings per share (in New Taiwan dollars)	\$ <u>4.95</u>	<u>4.48</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>1,833,032</u>	<u>1,581,224</u>
Weighted-average number of shares outstanding during the period (thousand shares)	370,516	352,807
Effect of the potentially dilutive common stock effect of employee compensation (thousand shares)	<u>1,536</u>	<u>2,545</u>
Weighted-average number of shares outstanding during the period (After adjusting the potential dilutive common stock) (thousand shares)	<u>372,052</u>	<u>355,352</u>
Diluted earnings per share (in New Taiwan dollars)	\$ <u>4.93</u>	<u>4.45</u>

(t) 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.

The Company estimated its employees', directors' and supervisors' remuneration as follows:

	<u>2023</u>	<u>2022</u>
Employees' remuneration	\$ 152,388	72,119
directors' and supervisors' remuneration	<u>7,000</u>	<u>7,030</u>
	\$ <u>159,388</u>	<u>79,149</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

The differences between the actual distributed amounts as determined by the Board of Directors 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.

There were no difference between the actual distributed amounts as determined by Board of Directors and those recognized in the financial statement for the years ended December 31, 2022 and 2021. The related information mentioned can be found on Market Observation Post System website.

(u) Non-operating income and expenses

(i) Other income

	2023	2022
Rent income	\$ 21,802	9,610

(ii) Interest income

	2023	2022
Interest income from bank deposit	\$ 107,022	45,024

(iii) Other gains and losses

	2023	2022
Gains on disposal of property, plant and equipment	\$ 6,346	26,582
Gains on disposal of intangible assets	-	37
Foreign exchange gains (losses), net	33,189	331,894
Subsidy revenue	49,208	30,688
Others	40,115	88,183
	\$ 128,858	477,384

(iv) Finance costs

	2023	2022
Interest expense-bank borrowings	\$ 122,766	105,533
Interest expense-lease liabilities	27,197	28,066
	\$ 149,963	133,599

(v) Financial instruments

(i) Credit risk

1) Credit risk exposure

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

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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 December 31, 2023 and 2022, 60% and 64% of accounts receivable were 2 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).

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within 1 year</u>	<u>1-5 years</u>	<u>Over 5 years</u>
As of December 31, 2023					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	\$ 6,202,985	6,483,891	1,483,750	4,280,470	719,671
Lease liabilities	2,038,484	2,331,750	135,335	506,032	1,690,383
Accounts payable (including related parties)	749,493	749,493	749,493	-	-
Other payables (including related parties)	514,604	514,604	514,604	-	-
Guarantee deposit received	824	824	200	624	-
Total	<u>\$ 9,506,390</u>	<u>10,080,562</u>	<u>2,883,382</u>	<u>4,787,126</u>	<u>2,410,054</u>
As of December 31, 2022					
Non-derivative financial liabilities					
Long-term borrowings (including current portion)	\$ 7,183,816	7,445,606	1,726,034	5,158,528	561,044
Lease liabilities	2,112,117	2,431,778	123,566	494,263	1,813,949
Accounts payable (including related parties)	734,262	734,262	734,262	-	-
Other payables (including related parties)	382,507	382,507	382,507	-	-
Guarantee deposit received	824	824	200	624	-
Total	<u>\$ 10,413,526</u>	<u>10,994,977</u>	<u>2,966,569</u>	<u>5,653,415</u>	<u>2,374,993</u>

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

(Continued)

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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:

	December 31, 2023			December 31, 2022		
	Foreign currency (in thousands)	Exchange rate	NTD	Foreign currency (n thousands)	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 72,263	30.705	<u>2,218,835</u>	66,795	30.710	<u>2,051,274</u>
<u>Non-monetary items</u>						
USD	\$ 62,521	30.705	<u>1,919,707</u>	59,119	30.710	<u>1,815,534</u>
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	\$ 5,426	30.705	<u>166,605</u>	7,316	30.710	<u>224,674</u>
<u>Non-monetary items</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 December 31, 2023 and 2022, would have decreased / increased the profit before tax by \$20,522 thousand and \$18,266 thousand, respectively. Equity would have decreased / increased the profit before tax by \$19,197 thousand and \$18,155 thousand, respectively. The analysis is performed on the same basis for 2023 and 2022.

Due to the variety of the Company's currency, the Company discloses its exchange gains and losses of monetary items collectively. For the years ended December 31, 2023 and 2022, the Company's foreign exchange gains (losses), net (including realized and unrealized of monetary items) amounted to \$33,189 thousand and \$331,894 thousand, respectively.

(iv) Interest rate analysis

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

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
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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 \$62,030 thousand and \$71,838 thousand for the years ended December 31, 2023 and 2022, 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.

		December 31, 2023			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 5,330,034	-	-	-	-
Notes and accounts receivable and other receivables (including related parties)	3,210,197	-	-	-	-
Other non-current assets	2,348	-	-	-	-
Total	<u>\$ 8,542,579</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities measured at amortized cost					
Long-term borrowings (including current portion)	\$ 6,202,985	-	-	-	-
Lease liabilities	2,038,484	-	-	-	-
Accounts payable (including related parties)	749,493	-	-	-	-
Other payables (including related parties)	514,604	-	-	-	-
Guarantee deposit received	824	-	-	-	-
Total	<u>\$ 9,506,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2022			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets measured at amortized cost					
Cash and cash equivalents	\$ 4,241,715	-	-	-	-
Notes and accounts receivable and other receivables (including related parties)	2,560,381	-	-	-	-
Other non-current assets	2,705	-	-	-	-
Total	<u>\$ 6,804,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

		December 31, 2022			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Long-term borrowings (including current portion)	\$ 7,183,816	-	-	-	-
Lease liabilities	2,112,117	-	-	-	-
Accounts payable (including related parties)	734,262	-	-	-	-
Other payables (including related parties)	382,507	-	-	-	-
Guarantee deposit received	824	-	-	-	-
Total	<u>\$ 10,413,526</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.

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.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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.

(w) Management of financial risk

(i) Overview

The Company has exposure to the nature and extent of the risks arising from financial instruments as below:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

Detailed information about exposure risk arising from the aforementioned risk and the Company's objective, policies and process for managing risks have been stated below. Further quantitative disclosures have been disclosed as notes to the financial statements.

(ii) Risk management framework

The Company's Board of Directors has responsibility for the oversight of the risk management framework. The Company's inter-departmental management and committee, which consists of managers from all departments, is responsible for monitoring the Company's risk management policies and reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The inter-department management and committee are reviewed regularly to reflect change in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
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The Company's supervisors or Audit committee oversee how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Company. The Company's supervisors or Audit committee are assisted in this oversight role by the internal auditor. The internal auditor reviews the risk controls and procedures, and reports the results on a regular or irregular basis to the supervisors or Audit committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investments in securities.

1) Notes and accounts receivable and other receivables

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 impairment loss is always under management's expectation.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and other financial instruments are measured and monitored by the Company's finance department. Since the Company's transactions are with external parties with good credit standing, highly rated financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no non-compliance issues and therefore no significant credit risk.

3) Guarantees

As of December 31, 2023 and 2022, the Company did not provide endorsements and guarantees.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities and ensures compliance with the terms of loan agreements.

Loans and borrowings from the bank form an important source of liquidity for the Company. As of December 31, 2023 and 2022, the Company's unused credit line amounted to \$1,880,000 thousand and \$1,100,000 thousand, respectively.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices that will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Company is exposed to currency risk on sales, purchases that are denominated in a currency other than the respective functional currencies of the Company, primarily the NTD. The currencies used in these transactions are principally denominated in USD.

2) Interest rate risk

The borrowings of the Company are mostly based on floating interest rates. The Company has not changed from floating rates to fixed rates by signing interest rate swap contract. The Company's measures for the risk of changes in interested rate are mainly based on regular assessments of bank and borrowing rates, and maintaining good relationships with financial institutions to achieve lower financial costs. At the same time, the company strengthens capital management to reduce the dependence on bank borrowings and spread the risk of changes in interest rate.

(x) Capital management

The Board of Directors' policy is to keep a strong capital base to maintain the confidence of investors, creditors, and the market, and to sustain future development of the business. The Board of Directors monitors the level of dividends to ordinary equity holders as well as future operation of the business. The Company use the debt-to-equity ratio to manage capital. This ratio is the total net debt divided by the total capital. The net debt from the balance sheet is derived from the total liabilities less cash and cash equivalents. The total capital and equity include share capital, capital surplus, retained earnings, and other equity.

As of December 31, 2023 and 2022, there were no changes in the Company's approach to capital management.

The Company's debt-to-equity ratio at the end of the reporting period as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Total liabilities	\$ 10,050,217	10,862,517
Less: cash and cash equivalents	<u>5,330,034</u>	<u>4,241,715</u>
Net liabilities	<u>\$ 4,720,183</u>	<u>6,620,802</u>
Total equity	<u>\$ 12,958,924</u>	<u>10,912,186</u>
Debt-to-equity ratio	<u>36.42%</u>	<u>60.67%</u>

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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

(i) For right-of-use assets under leases, please refer to note 6(g).

(ii) The Company's financing activities which did not affect the current cash flow in the years ended December 31, 2023 and 2022, were as follows:

	January 1, 2023	Cash flows	Non-cash changes Right-of-use assets	December 31, 2023
Long-term borrowings	\$ 7,183,816	(980,831)	-	6,202,985
Lease liabilities	2,112,117	(108,138)	34,505	2,038,484
Guarantee deposit received	824	-	-	824
Total liabilities from financing activities	<u>\$ 9,296,757</u>	<u>(1,088,969)</u>	<u>34,505</u>	<u>8,242,293</u>

	January 1, 2022	Cash flows	Non-cash changes Other	December 31, 2022
Long-term borrowings	\$ 9,081,294	(1,897,478)	-	7,183,816
Lease liabilities	2,193,990	(81,873)	-	2,112,117
Guarantee deposit received	824	-	-	824
Total liabilities from financing activities	<u>\$ 11,276,108</u>	<u>(1,979,351)</u>	<u>-</u>	<u>9,296,757</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 December 31, 2023 and 2022, it owns 55.05% and 58.44% of all shares outstanding of the Company, respectively. EVA Airways Corp. has issued the consolidated financial statements available for public use.

(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
Evergreen Marine Corp.	Other related parties
Ever Accord Construction Corp.	Other related parties

(Continued)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

Name	Relationship with the Company
Everfamily International Foods Corporation	Other related parties
Shun An Enterprise 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:

	2023	2022
Parent company-EVA Airways Corp.	\$ 4,576,576	3,121,432
Juristic person shareholder-Uni Airways Corp.	317,010	318,484
Associates-GE Evergreen Engine Services Corp.	863,006	434,980
Associates-others	68,333	43,401
Other related parties	588	484
	<u>\$ 5,825,513</u>	<u>3,918,781</u>

The prices for sales to related parties are not materially different from those to 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:

	December 31, 2023	December 31, 2022
Parent company-EVA Airways Corp.	\$ 88,561	63,857
Juristic person shareholder-Uni Airways Corp.	152	229
Associates	335	4,173
Other related parties:		
Evergreen Airline Services Corp.	80,257	88,300
Evergreen Sky Catering Corp.	99,084	94,535
Evergreen Logistics Corporation	98,169	97,000
Others	124,440	121,012
	<u>\$ 490,998</u>	<u>469,106</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.

(iii) Operating expenses

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

	<u>2023</u>	<u>2022</u>
Parent company-EVA Airways Corp.	\$ 6,568	3,867
Other related parties:		
Evergreen Sky Catering Corp.	6,470	7,121
Evergreen Security Corp.	3,073	3,174
Evergreen International Storage & Transport Corp.	3,044	3,105
Others	<u>7,972</u>	<u>7,572</u>
	<u><u>\$ 27,127</u></u>	<u><u>24,839</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.

(iv) Property transaction

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

	<u>2023</u>	<u>2022</u>
Parent company-EVA Airways Corp.	\$ 71,410	21,480
Juristic person shareholder-Uni Airways Corp.	2,137	504
Associates		3,765
Other related parties:		
Ever Accord Construction Corp.	13,821	59,519
Others	<u>75</u>	<u>-</u>
	<u><u>\$ 87,443</u></u>	<u><u>85,268</u></u>

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 facility. The amount of contract price was corrected to \$680,613 thousand due to the demand of electromechanical system in May 2022. The aforementioned amount has already been paid.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

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	2023	
	Disposal price	Gains (losses) on disposal
Parent company-EVA Airways Corp.	\$ <u>12,139</u>	<u>11,567</u>
2022		
Class of related parties	Disposal price	Gains (losses) on disposal
Parent company-EVA Airways Corp.	\$ 24,572	21,899
Associates-GE Evergreen Engine Services Corp.	4,055	3,140
Associates-Spirit Evergreen Aftermarket Solutions Co., Ltd.	<u>25,239</u>	<u>3,269</u>
	<u>\$ 53,866</u>	<u>28,308</u>

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)	
	December 31, 2023	December 31, 2022
GE Evergreen Engine Services Corp.	<u>\$ 403,958</u>	<u>467,591</u>

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

(v) Lease

The Company leased the facilities to its associates, GE Evergreen Engine Services Corp., and the rent income received monthly is based on the nearby factories rental rate. The amount of rent income were \$20,507 thousand and \$17,817 thousand for the and years ended December 31, 2023 and 2022, respectively. The preceding rent payment has been received.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(vi) Dividends received

Dividends received from the associate of the Company were as follows:

	2023	2022
Associates-GE Evergreen Engine Services Corp.	\$ 180,415	31,550

(vii) Receivables from related parties

Receivables from related parties of the Company were as follows:

Account	Class of related parties	December 31, 2023	December 31, 2022
Accounts receivable	Parent company-EVA Airways Corp.	\$ 880,212	704,378
Accounts receivable	Juristic person shareholder-Uni Airways Corp.	82,699	84,509
Accounts receivable	Associates-GE Evergreen Engine Service Corp.	123,057	69,201
Accounts receivable	Associates-others	4,618	1,873
Subtotal		<u>1,090,586</u>	<u>859,961</u>
Other receivables	Parent company-EVA Airways Corp.	\$ 1,953	1,250
Other receivables	Juristic person shareholder-Uni Airways Corp.	241	85
Other receivables	Associates-GE Evergreen Engine Service Corp.	6,366	12,451
Other receivables	Associates-Spirit Evergreen Aftermarket Solutions Co., Ltd.	620	2,729
Other receivables	Associates-Ever Superior Technologies Corporation	1,619	106
Other receivables	Other related parties	89	154
Subtotal		<u>10,888</u>	<u>16,775</u>
		\$ 1,101,474	876,736

(viii) Payables to related parties

Payables to related parties of the Company were as follows:

Account	Class of related parties	December 31, 2023	December 31, 2022
Accounts payable	Parent company-EVA Airways Corp.	\$ 6,364	10,277
Accounts payable	Juristic person shareholder-Uni Airways Corp.	-	64
Accounts payable	Associates	75	110
Accounts payable	Other related parties:		
	Evergreen Airline Services Corp.	8,582	4,323
	Evergreen Sky Catering Corp.	6,875	6,862
	Others	12,306	12,104
Subtotal		<u>34,202</u>	<u>33,740</u>
Other payables	Parent company-EVA Airways Corp.	\$ 35,724	8,902
Other payables	Juristic Person shareholder-Uni Airways Corp.	37	-
Other payables	Associates	88	-
Other payables	Other related parties:		
	Evergreen Airline Services Corp.	1,375	1,776
	Evergreen Logistics Corporation	4,530	3,914
	Others	3,705	2,351
Subtotal		<u>45,459</u>	<u>16,943</u>
		\$ 79,661	50,683

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(d) Key management personnel compensation

(i) Key management personnel compensation comprised:

	December 31, 2023	December 31, 2022
Short-term employee benefits	\$ 49,226	42,408
Post-employment benefits	1,398	286
Share-based payment	1,524	-
	<u><u>\$ 52,148</u></u>	<u><u>42,694</u></u>

(8) Assets pledged as security:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2023	December 31, 2022
Property, plant, and equipment	Long-term borrowing	<u><u>\$ 3,609,869</u></u>	<u><u>3,807,483</u></u>
Investment property	Long-term borrowing	<u><u>\$ 1,029,594</u></u>	<u><u>1,075,420</u></u>
Time deposit — non-current asset	Guarantees for customs bonded warehouse establishment	\$ 1,590	1,585
"	Guarantees for Taiwan Air Cargo Terminal Logistics	100	100
		<u><u>\$ 1,690</u></u>	<u><u>1,685</u></u>

(9) Commitments and contingencies:

Unused letters of credit for the Company were as follows:

	December 31, 2023	December 31, 2022
Unused letters of credit	<u><u>\$ 203,562</u></u>	<u><u>136,898</u></u>

(10) Losses due to major disasters: None.

(11) Subsequent events: None.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(12) Other

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

By item	December 31, 2023			December 31, 2022		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	3,464,849	273,293	3,738,142	2,769,063	211,069	2,980,132
Labor and health insurance	258,722	17,427	276,149	236,319	16,072	252,391
Pension	140,225	10,812	151,037	137,364	10,362	147,726
Remuneration of directors	-	15,545	15,545	-	14,324	14,324
Others	254,642	12,993	267,635	206,528	11,266	217,794
Depreciation	624,909	107,185	732,094	704,096	146,756	850,852
Amortization	7,163	23,312	30,475	549	22,515	23,064

- (b) As of December 31, 2023 and 2022, the additional information for employee number and employee benefits were as follows:

	2023	2022
Employee numbers	<u>2,907</u>	<u>2,842</u>
Directors number without serving concurrently as employee	<u>9</u>	<u>9</u>
Average employee benefits	<u>\$ 1,530</u>	<u>1,270</u>
Average employee salaries	<u>\$ 1,290</u>	<u>1,052</u>
Average adjustment rate of employee salaries	<u>22.62 %</u>	<u>29.92%</u>
Supervisor's remuneration	<u>\$ -</u>	<u>30</u>

- (c) The information of the Company's salary and remuneration policy (including directors, managers and employees) are as follows:

- (i) The principle of remuneration policy

The Company's remuneration policy is determined by the natures of each position, the Company's operating performance, industry average, economic variables, government regulations as well as future operating risks, and is formulated based on the principles of fairness, reasonableness, balance, and incentives. There is no issue on age, gender, race, religion, political stance, marital status, union affiliation etc.

- (ii) Remuneration policy

The Company determines the job title based on the organizational structure, business categories and job natures. It considers internal and external factors according to each position, except for the positions of chairman and vice chairman, to set upper and lower limits as the salary assessment standard for each position.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION
Notes to Financial Statements

(iii) Remuneration portfolios of directors and managers

The directors' remuneration is stipulated according to the Company's articles of incorporation, authorizing the Board of Directors to determine the remuneration by its participation and contribution, as well as that of other company's data. The remuneration of managers is handled in accordance with the "Payment Regulation of Managers" of the Company. The remuneration of directors and managers are stipulated by Remuneration Committee of the Company and should be approved by Board of Directors. The bonus would be considered and distributed based on the operation results of the Company and each individual performance.

(iv) Remuneration composition of employees

Fixed remuneration :

The employees' fixed remuneration, including salary and allowances, is based on the Company's salary structure standard for each position; also, the employees salary raise will be based on their working performance assessment and the Company's overall annual salary policy.

Variable remuneration :

- 1) Year-end bonus : In order to motivate employees, year-end bonus is distributed based on each year's operating performance and employee contribution.
- 2) Employee remuneration : According to the Company's articles of incorporation, if the Company incurs profit in a fiscal year, the earnings shall first be used to offset against any deficit, then, a portion of the remainder, if any, will be distributed as employee remuneration.

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EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(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 year ended December 31, 2023:

- (i) Loans to other parties: None.
- (ii) Guarantees and endorsements for other parties: None.
- (iii) Securities held as of December 31, 2023 (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:

(In Thousands of New Taiwan Dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares	Amount	Shares	Amount	Shares	Price	Cost	Gain (loss) on disposal	Shares	Amount
Evergreen Aviation Technologies Corp.	Taishin 1699 Money Market Fund	Current financial assets at fair value through profit or loss	Taishin Securities Investment Trust Company Limited	NA	-	-	23,763	330,000	23,763	330,223	330,000	223	-	-

- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: 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	4,576,576	30.96	60 days	-		880,212	27.64	
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	Associates	Sales	863,006	5.84	30 days	-		123,057	3.86	
Evergreen Aviation Technologies Corp.	Uni Airways Corp.	Juristic person shareholder	Sales	317,010	2.14	60 days	-		82,699	2.60	

- (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	882,165	5.76	-	-	882,165	-
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	Associates	129,423	8.18	-	-	129,423	-

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

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(b) Information on investees:

The following is the information on investees for the year ended December 31, 2023 (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 December 31, 2023			Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2023	December 31, 2022	Shares	Ratio of shares	Book value			
Evergreen Aviation Technologies Corp.	GE Evergreen Engine Services Corp.	No. 8, Hangzhan S. Rd., Dayuan Dist., Taoyuan City 337041, Taiwan (R.O.C.)	Maintenance, manufacturing and trading of aircraft and accessories	2,032,845	2,032,845	203,285	49.00 %	1,919,707	464,183	227,450	Note 1
Evergreen Aviation Technologies Corp.	Spirit Evergreen Aftermarket Solutions Co., Ltd.	4 F., No. 2, Hangzhan S. Rd., Puxin Vil., Dayuan Dist., Taoyuan City 337041, Taiwan (R.O.C.)	Maintenance, repair and overhaul of aircraft	111,552	111,552	11,155	49.00 %	104,640	9,597	4,702	Note 1
Evergreen Aviation Technologies Corp.	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 %	20,229	(55,024)	(19,258)	Note 1

Note 1: Investee company accounted for under equity method.

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

(d) Major shareholders:

Shareholder's Name	Shareholding	Shares	Percentage
EVA Airways Corp.		206,189,241	55.05 %
Uni Airways Corp.		50,847,721	13.57 %

(14) Segment information:

(a) General information

(i) The Company's reportable segments were as follows:

- 1) Maintenance segment: maintenance of airframes, aircraft engines and accessories.
- 2) Manufacturing segment: manufacturing, processing and selling of aircraft engines and accessories.

The reportable segments are the Company's divisions which offer different products and services, and are managed separately because they require different technology and marketing strategies.

(b) Information about reportable segments and their measurement and reconciliations

The Company uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation and the taxation is managed on a group basis, and hence it is not able to be allocated to each reportable segment. The reportable amount is similar to that in the report used by the chief operating decision maker.

The operating segment accounting policies are similar to those described in note 4 "significant accounting policies"

The Company treated intersegment sales and transfers as third-party transactions.

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Notes to Consolidated Financial Statements

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

	2023			
	Maintenance segment	Manufacturing segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 11,386,468	3,395,330	-	14,781,798
Intersegment revenue	9,167	4,899	(14,066)	-
Interest income	104,127	2,895	-	107,022
Total revenue	<u>\$ 11,499,762</u>	<u>3,403,124</u>	<u>(14,066)</u>	<u>14,888,820</u>
Interest expense	<u>\$ 104,268</u>	<u>45,695</u>	<u>-</u>	<u>149,963</u>
Depreciation and amortization	<u>\$ 560,875</u>	<u>201,694</u>	<u>-</u>	<u>762,569</u>
Investment profit	<u>\$ 212,894</u>	<u>-</u>	<u>-</u>	<u>212,894</u>
Reportable segment profit or loss	<u>\$ 2,223,834</u>	<u>15,025</u>	<u>-</u>	<u>2,238,859</u>

Total reportable segment revenue for the year ended December 31, 2023, was deducted the intersegment revenue by \$14,066 thousand.

	2022			
	Maintenance segment	Manufacturing segment	Reconciliation and elimination	Total
Revenue from external customers	\$ 9,238,605	2,608,781	-	11,847,386
Intersegment revenue	6,240	3,308	(9,548)	-
Interest income	44,001	1,023	-	45,024
Total revenue	<u>\$ 9,288,846</u>	<u>2,613,112</u>	<u>(9,548)</u>	<u>11,892,410</u>
Interest expense	<u>\$ 65,807</u>	<u>67,792</u>	<u>-</u>	<u>133,599</u>
Depreciation and amortization	<u>\$ 666,064</u>	<u>207,852</u>	<u>-</u>	<u>873,916</u>
Investment profit	<u>\$ 171,316</u>	<u>-</u>	<u>-</u>	<u>171,316</u>
Reportable segment profit or loss	<u>\$ 1,887,734</u>	<u>81,269</u>	<u>-</u>	<u>1,969,003</u>

Total reportable segment revenue for the year ended December 31, 2022, was deducted the intersegment revenue by \$9,548 thousand.

(c) Enterprise overall information

(i) Product and service information

Revenue from the external customers of the Company was as follows:

Products and service	2023	2022
Maintenance of aircrafts and other	\$ 11,386,468	9,238,605
Manufacturing and selling spare parts of aircrafts	3,395,330	2,608,781
	<u>\$ 14,781,798</u>	<u>11,847,386</u>

(Continued)

(English Translation of Financial Report Originally Issued in Chinese)

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Notes to Consolidated Financial Statements

(ii) Geographic information

In presenting information on the the basis of geography, segment revenue is based on the geographic location of customers and segment non-current assets are based on the geographical location of the assets.

<u>Region</u>	<u>2023</u>	<u>2022</u>
Taiwan	\$ 6,420,970	4,504,561
Asia	2,251,791	1,689,534
North America	5,342,348	4,604,914
Europe	589,921	903,675
Others	176,768	144,702
	<u>\$ 14,781,798</u>	<u>11,847,386</u>

Non-current assets:

<u>Region</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Taiwan	\$ 9,211,806	9,758,749

Non-current assets included property, plant and equipment, right-of-use assets, investment property, intangible assets, and other non-current assets, excluding financial instruments, deferred tax assets and rights arising from an insurance contract (non-current).

(iii) Major customers

	<u>2023</u>
A Company	\$ 4,576,576
B Company	1,960,181
	<u>\$ 6,536,757</u>
	<u>2022</u>
A Company	\$ 3,121,432
B Company	1,549,962
	<u>\$ 4,671,394</u>

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of cash and cash equivalents

December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Description	Amount
Cash on hand		\$ 230
Petty cash		1,379
Check deposits		46
Foreign deposits	(USD3,403,517.00, USD: NTD 1: 30.705)	104,505
Demand deposits		679,069
Time deposits		3,900,000
Foreign time deposits	(USD21,000,000.00, USD: NTD 1: 30.705)	644,805
		<u><u>\$ 5,330,034</u></u>

Note: The period of time deposit was 1~3 month; the range of interest rate was 1.35%~5.81%.

Statement of notes and accounts receivable

Client name	Description	Amount	Note
A Company	Operating	\$ 1,025,799	
B Company	"	122,348	
C Company	"	228,329	
D Company	"	105,557	
Other (the amounts of individual client is less than 5% of the balance)		716,350	
Less: allowance for impairment		<u>(103,848)</u>	
		<u><u>\$ 2,094,535</u></u>	

EVERGREEN AVIATION TECHNOLOGIES CORPORATION**Statement of other receivables****December 31, 2023****(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

Item	Amount
Interest receivable	\$ 6,830
Other	<u>7,358</u>
	<u>\$ 14,188</u>

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of inventories

December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Amount		Note
	Cost	Net realizable value	
Spares and expendable parts	\$ 805,710	543,968	
Raw material	843,926	843,926	
Work in progress	830,820	789,802	
Finished goods	219,039	211,269	
Inventories in transit	<u>57,826</u>	<u>57,826</u>	
	2,757,321	<u>2,446,791</u>	
Less: allowance to reduce inventory to market	<u>(448,745)</u>		
	<u>\$ 2,308,576</u>		

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2023

(expressed in thousands of New Taiwan dollars / shares)

Name	Beginning balance		Increase		Decrease		Exchange differences on transaction of investee's financial statement	Remeasurement of the net defined benefit plans	Ending Balance			Market value or net assets value		Collateral
	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Share holdings	Amount	Unit price	Amount	
GE Evergreen Engine Services Corporation	203,285	\$ 1,815,534	-	291,083	-	180,415	361	(6,856)	203,285	49 %	1,919,707	-	2,323,669	None
Spirit Evergreen Aftermarket Solutions Co., Ltd.	11,155	99,938	-	4,702	-	-	-	-	11,155	35 %	104,640	-	104,645	None
Ever Superior Technologies Corporation	6,300	39,487	-	-	-	19,258	-	-	6,300	49 %	20,229	-	20,229	None
		<u>\$ 1,954,959</u>		<u>295,785</u>		<u>199,673</u>	<u>361</u>	<u>(6,856)</u>	<u>220,740</u>		<u>2,044,576</u>		<u>2,448,543</u>	

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of accounts payable

December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Amount
Other (the amounts of individual vendor is less than 5% of the balance)	\$ <u><u>715,291</u></u>

Statement of other payables

Item	Amount
Compensation due to employee	\$ 152,388
Warranty payable	55,830
Payable on Labor insurance and Health insurance	52,207
Unused vacation payable	28,732
Professional service payable	25,759
Payable on material purchased	25,389
Pension expense payable	24,791
Other (the amount of each item is less than 5% of the balance)	<u>104,049</u>
	\$ <u><u>469,145</u></u>

Statement of other current liabilities

Item	Amount
Payable for receipts on behalf of others	\$ 64,376
Other (the amount of each item is less than 5% of the balance)	<u>1,736</u>
	\$ <u><u>66,112</u></u>

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of long-term borrowings

December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Bank	Interest	Period	Borrowing amount
Medium and long-term credit loan	The Exprot-Import Bank of Republic of China	1.60%~2.00%	2020/09/15~2025/09/15	\$ 1,000,000
"	Bank of Taiwan	1.69%~1.82%	2020/02/21~2025/02/21	250,000
"	Bank of Taiwan	1.80%~1.80%	2023/11/29~2028/11/29	500,000
"	E.Sun Bank	1.70%~1.70%	2023/11/17~2026/11/17	600,000
"	Taishin International Bank	1.85%~1.85%	2023/12/08~2026/12/08	300,000
"	Shin Kong Bank	1.80%~1.80%	2023/11/27~2026/11/27	240,000
"	Bank of Kaohsiung	1.88%~2.01%	2022/03/25~2027/03/25	300,000
"	Cathay United Bank	1.57%~1.79%	2021/02/19~2024/02/19	60,000
"	Sunny Bank	1.53%~1.66%	2023/01/12~2026/01/12	200,000
"	Agricultural Bank of Taiwan	1.35%~1.60%	2019/06/14~2024/06/14	62,500
"	Chang Hwa Commercial Bank	1.67%~1.79%	2019/06/14~2024/06/10	106,667
"	KGI Bank	1.72%~1.98%	2021/02/19~2024/02/16	375,000
"	Far Eastern Int'l Bank	1.70%~1.75%	2023/03/13~2026/01/05	100,000
"	Far Eastern Int'l Bank	1.80%~1.83%	2023/04/26~2026/01/05	80,000
"	Far Eastern Int'l Bank	1.70%~1.70%	2023/11/20~2026/01/05	400,000
Subtotal				<u>4,574,167</u>
Building mortgage loan	Bank of Taiwan	1.70%~1.83%	2015/07/17~2030/07/17	517,500
"	Hua Nan Commercial Bank	1.67%~1.80%	2019/10/31~2034/10/31	240,000
"	Taiwan Cooperative Bank	1.45%~1.70%	2016/01/30~2031/01/30	124,583
"	Bank of Taiwan	1.62%~1.79%	2022/04/25~2037/04/25	<u>746,735</u>
Subtotal				<u>1,628,818</u>
Total				6,202,985
Less: current portion				<u>(1,388,185)</u>
Total				<u><u>\$ 4,814,800</u></u>

**EVERGREEN AVIATION TECHNOLOGIES
CORPORATION**

Statement of lease liabilities

December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Lease term	Discount rate	Ending balance
Land	12~33 years	1.30%	\$ 2,015,299
Building and structures	2 years	1.58%	23,185
Less: current portion			(109,585)
			<u><u>\$ 1,928,899</u></u>

Statement of non-current liabilities

Item	Description	Ending Balance	Note
Guarantee deposit received		<u><u>\$ 824</u></u>	

Statement of operating revenue

Item	Unit	Amount
Operating revenue:		
Aircrafts maintenance		\$ 11,456,240
Manufacturing and selling spares parts of aircrafts	285,437 pieces	3,410,139
Other		-
Less: sales returns	8 pieces	6,574
sales discount and allowance		<u>78,007</u>
Total		<u><u>\$ 14,781,798</u></u>

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of operating costs

For the year ended December 31, 2023

(expressed in thousands of New Taiwan dollars)

<u>Item</u>	<u>Amount</u>
Raw materials:	
Beginning balance	\$ 727,612
Add: Purchase	1,397,457
Less: Ending balance	843,926
Losses on inventory count	7
Other	<u>19,710</u>
Raw materials consumed	1,261,426
Direct labor	295,791
Manufacturing overhead	<u>740,952</u>
Manufacturing cost	2,298,169
Beginning balance of work-in-process	723,347
Add: Purchase	668,020
Less: Ending balance of work-in-process	830,820
Other	<u>24,248</u>
Cost of finished good	2,834,468
Beginning balance of finished goods	331,315
Less: Ending balance of finished goods	<u>219,039</u>
Cost of self-manufacturing good sold	<u>2,946,744</u>
Add: Cost of sale	<u>17,128</u>
Cost of goods sold	<u>17,128</u>
Cost of manufacturing and sale	<u>2,963,872</u>
Add: Gains on reversal of write-downs of inventories	(191,823)
Unallocated fixed manufacturing overhead	277,001
Loss on inventory count	7
Scraps income	(5,581)
Expenses on maintenance crew	3,742,869
Expenses on maintenance material	2,901,855
Outsourcing costs	641,862
Other costs	<u>1,811,631</u>
Other operating costs	<u>9,177,821</u>
Operating cost	\$ <u><u>12,141,693</u></u>

EVERGREEN AVIATION TECHNOLOGIES CORPORATION

Statement of operating expenses

For the year ended December 31, 2023

(expressed in thousands of New Taiwan dollars)

Item	Selling and administration expense	Research and development expense	Loss (gain) on expected credit impairment
Salary expense	\$ 274,896	13,942	-
Depreciation expenses	107,185	-	-
IT expense	50,324	-	-
Other research and development expense	-	40,937	-
Expected credit loss (gain)	-	-	70,542
Other (the amount of each item is less than 5% of the balance)	164,033	-	-
	<u><u>\$ 596,438</u></u>	<u><u>54,879</u></u>	<u><u>70,542</u></u>

Statement of accounts receivable from related parties and accounts payable to related parties, please refer to note 7.

Statement of other receivables from related parties and other payable to related parties, please refer to note 7.

Statement of changes in property, plant and equipment, please refer to note 6(f).

Statement of changes in right-of-use assets, please refer to note 6(g).

Statement of changes in investment property, please refer to note 6(h).

Statement of changes in intangible assets, please refer to note 6(i).

Statement of other current asset and other non-current asset, please refer to note 6(j).

Statement of net defined benefit assets, please refer to note 6(n).

Statement of deferred tax assets, please refer to note 6(o) .

Statement of contract assets and liability, please refer to note 6(r).

Statement of interest revenue 、 other income 、 other gains and losses, please refer to note 6(u).

Statement of finance costs, please refer to note 6(u).