

Shihlin Paper Co., Ltd. and Subsidiaries

Consolidated financial statements

For the Years Ended December 31, 2020 and 2019 and

Independent Auditors' Report

Shihlin Paper Co., Ltd.

No. 31, Fude Rd., Shilin Dist., Taipei City TEL:(02) 28811111 FAX:(02) 28827099

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

Representation Letter

The entities required to be included in the consolidated financial statements of Shihlin Paper Co., Ltd. as of and for the year ended December 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No.10. by the Financial Supervisory Commission “Consolidated and Separate Financial Statements.” In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Shihlin Paper Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company Name: Shihlin Paper Co., Ltd.
Chairman: Tai Shih Trading Co., Ltd.
March 19, 2021

Independent Auditors' Report

To the Board of Directors of Shihlin Paper Co., Ltd.,

Opinion

We have audited the accompanying financial statements of Shihlin Paper Co., Ltd. (the Company) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the consolidated statements of comprehensive income, changes in equity, cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2020 and 2019 and for the years then ended. Its consolidated financial performance and its consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

For the accounting policy of revenue, please refer to Note (4) 15 for revenue recognition of the consolidated financial statements.

As part of the sales income of the Group is from sales to distributors, and the Group shall pay incentives, slotting fees, and advertising sponsorship fees to distributors upon contract signing, and part of the inventory is stored in the distributors' warehouses. Thus, contract conditions may affect revenue recognition, so revenue recognition is a key audit item.

Corresponding audit procedure

Our main audit procedure is as follows:

- Assess the reasonableness of the accounting treatment of revenue recognition (including sales discounts and returns).

- Test the effectiveness of the internal control system design and implementation with regard to income.
- Analyze the new sales customers who are related parties with a significant transaction amount or rank among the top ten sales customers to confirm that the revenue recognition is in line with the realization principle.
- Test the sales samples for a period before and after the end of the year according to the delivery conditions to evaluate the correctness during the revenue recognition period.

Tangible asset impairment assessment

For the accounting policy for tangible asset impairment, please refer to Note (4) 11 of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (5) of the consolidated financial statements.

As of December 31, 2020, the Group's property, plant, and equipment amounted to NT\$1,311,043 thousand, and the investment property amounted to NT\$4,403,082 thousand. We assess whether there are any signs that the Group's tangible assets may have been impaired at each balance sheet date. If there are any signs of impairment, it is necessary to estimate the asset's recoverable amount. If it is impossible to estimate the recoverable amount in an individual asset, estimate the recoverable amount in the cash-generating unit to which the asset belongs. Since the total amount in the above-mentioned tangible assets is NT\$5,714,125 thousand (accounting for 75.97% of the total consolidated assets), and the estimation of the recoverable amount involves many assumptions and estimates, the impairment assessment of tangible assets is a key audit item.

Corresponding audit procedure

Our main audit procedures for the key audit items above include:

- Understand the Company's asset impairment assessment methods and implementation status;
- Obtain the impairment evaluation form from the management and evaluate its reasonableness;
- Assess the reasonableness of the cash-generating unit and recoverable amount in the assets identified by the management.

Other Matters

Shihlin Paper Co., Ltd. has prepared its parent company only financial statements as of and for the years ended December 31, 2020 and 2019, on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated 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 of 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 related 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 Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of the 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group 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 consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Ling Hung and Wen-Ting Hsiang.

Earnest & Co., CPAs.
Taipei, Taiwan (Republic of China)

March 19, 2021

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

Shihlin Paper Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Asset		Note:	Dec. 31, 2020		Dec. 31, 2019		Liabilities and Equity		Note:	Dec. 31, 2020		Dec. 31, 2019	
Code	Accounting Items		Amount	%	Amount	%	Code	Accounting Items		Amount	%	Amount	%
Current assets													
1100	Cash and cash equivalents	(IV) and (VI)	\$ 24,307	0.32	\$ 117,697	1.79	2100	Short-term loans	(VI)	\$ 2,087,500	27.75	\$ 1,873,700	28.44
1110	FVTPL financial assets	(IV) and (VI)	14,855	0.20	15,410	0.23	2110	Short-term notes and bills payable	(VI)	376,752	5.01	542,168	8.23
1120	FVTOCI financial assets	(IV) and (VI)	1,605,525	21.34	576,697	8.76	2130	Contract liability		2,516	0.03	2,369	0.04
1136	AC financial assets	(IV) and (VI)	1,396	0.02	-	-	2150	Accounts payable		7,164	0.10	12,865	0.20
1150	Note receivable	(IV) and (VI)	529	0.01	593	0.01	2170	Other payables	(VII)	21,570	0.29	23,937	0.36
1170	Net accounts receivable	(IV), (VI), and (VII)	48,864	0.65	49,050	0.74	2200	Other current liabilities		812	0.01	771	0.01
1200	Other receivables	(IV)	407	0.01	46	0.00	2300	Total current liabilities		2,496,314	33.19	2,455,810	37.28
1310	Inventories	(IV) and (VI)	74,386	0.99	72,798	1.11	21XX						
1410	Prepayments	(VI) and (VII)	21,855	0.29	23,897	0.36	2570	Deferred income tax liabilities		1,596,040	21.22	1,596,040	24.23
1470	Other current assets		105	0.00	78	0.00	2645	Guarantee deposit received		16,954	0.22	15,506	0.24
11XX	Total current assets		1,792,229	23.83	856,266	13.00	25XX	Total non-current liabilities		1,612,994	21.44	1,611,546	24.47
Non-current assets													
1517	FVTOCI financial assets	(IV) and (VI)	5,160	0.07	5,441	0.08	2XXX	Total liabilities		4,109,308	54.63	4,067,356	61.75
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	1,311,043	17.43	1,067,932	16.21	31XX	Equity attributable to owners of the parent company					
1760	Investment Property	(IV), (VI), and (VIII)	4,403,082	58.54	4,646,933	70.55	3100	Share capital	(VI)				
1780	Intangible asset	(IV) and (VI)	9,483	0.12	9,853	0.15	3110	Common stock		2,600,391	34.57	2,600,391	39.48
1975	Net defined benefit assets	(IV) and (VI)	263	0.00	305	0.00		Retained earnings	(VI)				
1900	Other non-current assets		733	0.01	533	0.01	3320	Special reserve		1,534,420	20.40	1,534,420	23.29
15XX	Total non-current assets		5,729,764	76.17	5,730,997	87.00	3350	Accumulated deficit		(1,779,403)	(23.66)	(1,643,634)	(24.95)
							3300	Total retained earnings		(244,983)	(3.26)	(109,214)	(1.66)
							3400	Other equity interest		1,057,277	14.06	28,730	0.43
							3XXX	Total equity		3,412,685	45.37	2,519,907	38.25
	Total assets		\$ 7,521,993	100.00	\$ 6,587,263	100.00		Total liabilities and equity		\$ 7,521,993	100.00	\$ 6,587,263	100.00

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

Shihlin Paper Co., Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Code	Item	Note	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 159,473	100.00	\$ 169,454	100.00
5000	Operating costs	(VI) and (VII)	105,965	66.45	117,222	69.18
5900	Gross profit		53,508	33.55	52,232	30.82
	Operating expenses					
6100	Selling expenses	(VII)	78,852	49.44	89,068	52.56
6200	Administrative expenses	(VII)	118,036	74.02	138,427	81.69
6300	R&D expenses	(VII)	9,034	5.66	9,140	5.39
6000	Total operating expenses		205,922	129.12	236,635	139.64
6900	Operating loss		(152,414)	(95.57)	(184,403)	(109.82)
	Non-operating revenue and expenses					
7010	Other income	(VI)	42,451	26.62	30,993	18.29
7020	Other gains and losses	(VI)	(136)	(0.09)	19	0.01
7050	Finance costs	(VI)	(25,586)	(16.04)	(26,143)	(15.43)
7000	Total non-operating revenue and expenses		16,729	10.49	4,869	2.87
7900	Net loss before tax		(135,685)	(85.08)	(179,534)	(105.95)
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net loss		(135,685)	(85.08)	(179,534)	(105.95)
	Other comprehensive income - net					
	Items that may not be reclassified subsequently to profit and loss					
8311	Gains (losses) on remeasurements of defined benefit plans	(IV) and (VI)	(84)	(0.05)	(11)	(0.01)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(IV)	1,028,547	644.96	78,865	46.54
8300	Other comprehensive income (net of tax)		1,028,463	644.91	78,854	46.53
8500	Total comprehensive income (loss)		\$ 892,778	559.83	\$ (100,680)	(59.42)
8600	Net loss attributable to:					
8610	Owners of the parent company		\$ (135,685)	(85.08)	\$ (179,534)	(105.95)
8620	Non-controlling interests		-	-	-	-
			\$ (135,685)	(85.08)	\$ (179,534)	(105.95)
8700	Comprehensive income attributable to:					
8710	Owners of the parent company		\$ 892,778	559.83	\$ (100,680)	(59.42)
8720	Non-controlling interests		-	-	-	-
			\$ 892,778	559.83	\$ (100,680)	(59.42)
	Earnings per Share					
9750	Basic earnings per share	(VI)	\$ (0.52)		\$ (0.69)	

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

Shihlin Paper Co., Ltd. and Subsidiaries
Consolidated Statements of Changes In Equity
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of the parent company							
	Share capital		Retained earnings			Other items of equity		Total Equity
	Shares (thousands)	Common stock	Special reserves	Accumulated deficit	Total retained earnings	Unrealized Gains (losses) from financial assets measured at FVTOCI		
Balance at January 1, 2019	260,039	\$ 2,600,391	\$ 1,534,420	\$ (1,464,089)	\$ 70,331	\$ (50,135)	\$ 2,620,587	
Net loss for 2019	-	-	-	(179,534)	(179,534)	-	(179,534)	
Other comprehensive income for 2019	-	-	-	(11)	(11)	78,865	78,854	
Total comprehensive income for 2019	-	-	-	(179,545)	(179,545)	78,865	(100,680)	
Balance at December 31, 2019	260,039	2,600,391	1,534,420	(1,643,634)	(109,214)	28,730	2,519,907	
Net loss for 2020	-	-	-	(135,685)	(135,685)	-	(135,685)	
Other comprehensive income for 2020	-	-	-	(84)	(84)	1,028,547	1,028,463	
Total comprehensive income for 2020	-	-	-	(135,769)	(135,769)	1,028,547	892,778	
Balance at December 31, 2020	260,039	\$ 2,600,391	\$ 1,534,420	\$ (1,779,403)	\$ (244,983)	\$ 1,057,277	\$ 3,412,685	

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

Shihlin Paper Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	2020	2019
Cash flows from operating activities:		
Net loss before tax	\$ (135,685)	\$ (179,534)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	18,552	19,861
Amortization expense	1,428	1,329
Expected credit impairment loss	119	-
Net (gain) loss on financial assets at FVTPL	(55)	(82)
Interest expense	25,586	26,143
Interest income	(24)	(34)
Dividend income	(25,286)	(19,416)
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	64	(40)
Decrease (increase) in accounts receivable	67	(13,594)
Increase in other receivables	(361)	(29)
Decrease (increase) in inventories	(1,588)	16,100
Decrease (increase) in prepayments	2,042	(2,951)
Decrease (increase) in other current assets	(27)	22
Increase in net defined benefit assets	(42)	(11)
Increase in contract liability	147	1,105
Decrease in notes payable	-	(27)
Increase (decrease) in accounts payable	(5,701)	4,759
Increase (decrease) in other payables	(2,298)	1,750
Increase (decrease) in other current liabilities	41	(234)
Cash outflow generated from operations	(123,021)	(144,883)
Interest received	24	34
Dividends received	25,286	19,416
Net Cash provided by (used in) operating activities	(97,711)	(125,433)

(Continued on the next page)

Shihlin Paper Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2020	2019
Cash flows from investing activities:		
Proceeds from disposal FVTPL financial assets	\$ 610	\$ 2,450
Acquisition of financial assets at FVTOCI	-	(198)
Increase in Amortized cost financial assets	(1,396)	
Acquisition of property, plant and equipment	(3,807)	-
Acquisition of investment property	(14,005)	(2,921)
Acquisition of intangible assets	(1,058)	
Decrease (increase) in other non-current assets	(200)	95
Net cash used in investing activities	(19,856)	(574)
Cash flows from financing activities:		
Increase in short-term loans	12,319,500	10,132,400
Repayment of short-term loans	(12,105,700)	(9,589,700)
Decrease in short-term notes and bills payable	(165,500)	(327,500)
Increase (decrease) in guarantee deposits received	1,448	(148)
Interest paid	(25,571)	(24,788)
Net cash inflow from financing activities	24,177	190,264
Increase (decrease) in cash and cash equivalents	(93,390)	64,257
Cash and cash equivalents, beginning of period	117,697	53,440
Cash and cash equivalents, end of period	\$ 24,307	\$ 117,697

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

Shihlin Paper Co., Ltd. and Subsidiaries

Notes to consolidated financial statements

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(I) Organization and Operations

Shihlin Paper Co., Ltd., established in 1918, formerly known as Taiwan Paper K.K, was the first paperboard mill established in Taiwan. After the recovery of Taiwan from Japan colonial rule, the government took over five paper mills, including Shilin, Luodong, Dadu, Xinying, and Xiaogang, and established the Taiwan Pulp & Paper Corporation, under the National Resources Commission; then, it was reorganized to be a state-owned enterprise under the Ministry of Economic Affairs. In 1954, the government implemented a policy to allow individual farms to own the land they were farming. The Taiwan Pulp & Paper Corporation was transformed into a private enterprise. In 1958, the shareholders asked for a de-merger. Shilin Paper Mill formally established the Shihlin Paper Co., Ltd. (hereinafter referred to as the “Company”) on January 1, 1959. under which there were two paper mills in Shilin and Yongan. After the closure of the Shilin mill on December 20, 1998, only Yongan mill remained. The Yongan mill ceased production line operations in October 2014.

The Group's main business items are the sales of paper processed products, wet wipes, facial masks, skin care products, and toiletries and leasing of assets and investment and development. Please refer to Notes (4).2 and (14) for details.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company’s functional currency, the New Taiwan dollar.

(II) The Authorization of Financial Statements

The consolidated financial statements were approved by the Company’s board of directors on March 19, 2021.

(III) Application of New and Revised International Financial Reporting Standards

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

Initial application of the IFRSs endorsed and issued into effect by the Financial Supervisory Commission (FSC) has no significant influence on the Group.

2. The IFRSs issued by IASB and endorsed by the FSC for application starting from 2021

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”	Effective on the published date
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

3. The IFRSs issued by IASB but not yet endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
“Annual Improvement for the Cycle of 2018-2020”	January 1, 2022
Amendment to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-Current"	January 1, 2023
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022

As of the date of adopting the consolidated financial statements, the Group has continued to evaluate the impact of the standards and interpretations above on the Group's financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

(IV) Summary of Significant Accounting Policies

1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by the FSC.

2. Basis of consolidation

(1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the Company's financial statements and the entities controlled by the Company (i.e. subsidiaries). When the Company is exposed to the variable remuneration of an entity or is entitled to such variable remuneration and can influence such remuneration through its power over the entity, it controls the entity.

The consolidated statements of comprehensive income already include each subsidiary's income and expenses from the day when control is obtained to the day when control is terminated.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with those used by the Group.

All intra-group transactions, assets, liabilities, equity, income, and expenses are eliminated in full upon consolidation.

Allocation of the total comprehensive income to non-controlling interests

The total comprehensive income of the subsidiaries is attributable to the equity and non-controlling interests of owners of the Company, even if it results in a loss incurred to the non-controlling interests.

Changes in equity of ownership of subsidiaries

When the Group's change in the equity of ownership of a subsidiary does not result in the loss of control of the subsidiary, it is an equity transaction. It is treated as a transaction with owners. The carrying amounts of the Company and non-controlling interests have been adjusted to reflect their relative changes in equity of subsidiaries. The difference between the adjustment amount in non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity, which is attributable to the Company's owners.

When the Group loses control of a subsidiary, the gains and losses on disposal are the differences between the two: (1) The sum of the fair value of the consideration received and the fair value of any retained investment in the said subsidiary at the date of loss of control; (2) The total carrying amount in said

subsidiary's assets (including any goodwill), liabilities, and non-controlling interests at the date of loss of control. The Group's accounting treatment for all amounts previously recognized in other comprehensive income related to the said subsidiary is the same as the basis that the Group must follow to directly dispose of relevant assets or liabilities (i.e. reclassified to profit or loss according to the relevant IFRSs or reclassified directly to retained earnings).

(2) Subsidiaries included in consolidated financial statements

Investee	Main Business	Location of company	% of Ownership	
			2020.12.31	2019.12.31
Sunshine Shihlin Development Co., Ltd.	Investment and development	Taipei City	100%	100%
Shihlin Environment Corporation	Investment and development	Taipei City	100%	100%
Sunnyfield Shihlin Co., Ltd.	Wholesale of daily necessities	Taipei City	100%	100%
Da Di Urban Renewal Construction Co., Ltd.	Urban renewal and reconstruction	Taipei City	100%	100%

3. Foreign currency

When each entity is preparing the financial statements, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are converted into the functional currency at the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies are translated at the closing rates at the balance sheet date. Exchange differences arising from settlement or translation of monetary items are recognized in profit or loss in the year in which they occur.

Non-monetary items measured at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The resulting exchange difference is recognized in profit or loss. For items whose changes in fair value are recognized in other comprehensive income, the resulting exchange difference is recognized in other comprehensive income.

Non-monetary items measured at a historical cost that are denominated in foreign currencies are translated at the rates of exchange prevailing on the transaction dates and are not retranslated.

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

Current assets include cash or cash equivalents (excluding the assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date); assets held primarily for the purpose of trading; and assets expected to be realized within 12 months after the balance sheet date or to be realized, sold, or consumed in its normal business cycle. Assets that are not current assets are classified as non-current assets. Current liabilities include liabilities held primarily for the purpose of trading; liabilities due to be settled within 12 months after the balance sheet date or in its normal business cycle (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the publication of the financial statements are also deemed to be current liabilities); and liabilities with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date; however, where equity instruments may be issued for settlement based on the terms of the liabilities agreed by the counterparty, it does not affect the classification. Liabilities that are not current liabilities are classified as non-current liabilities.

The Group has entrusted a construction developer to construct residential and commercial buildings for sales, with a business cycle of more than one year. The assets and liabilities related to the construction business are classified as current or non-current based on the normal business cycle.

5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed cash deposits at any time with little risk of value changes. Bank time deposits held by the Group with an original contract period of less than 3 months are classified as cash equivalents because they qualify as investments that can be converted into imprest cash at any time, and are highly liquid and have little risk of value changes. Bank time deposits with an original contract period of more than 3 months are classified as financial assets measured at amortized cost.

6. Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when the Group becomes a party to the financial instrument contract.

Financial assets and financial liabilities not at fair value through profit or loss are recognized initially at fair value plus transaction costs directly attributable to the acquisition or issuance of the financial assets or financial liabilities. The transaction costs directly attributable to the acquisition or issuance of financial assets or financial liabilities at fair value through profit or loss shall be immediately recognized in profit or loss.

Financial asset

Regular trading of financial assets shall be recognized and derecognized in accordance with trade date accounting. Regular trading refers to the purchase or sales of financial assets delivered within the period set by regulations or market practices.

(1) Measurement types

The Group's financial assets are those measured at FVTPL and those measured at fair value through other comprehensive income.

① Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are mandatorily measured at FVTPL. Financial assets mandatorily measured at FVTPL include investments in equity instruments that the Group has not specified to be measured at FVTOCI and investments in debt instruments that are not classified as measured at amortized cost or measured at FVTOCI.

Financial assets measured at FVTPL are measured at fair value, and the gains or losses resulting from remeasurement are recognized in profit or loss.

② Financial assets at amortized cost

When the Group's investments in financial assets satisfy the following two conditions simultaneously, they are classified as financial assets at amortized cost:

- a. Held under a certain business model, of which the objective of holding the financial assets is to collect contractual cash flows; and
- b. The cash flows at specific dates that are generated from the contractual terms of the financial assets are solely payments of the principal and interest on the principal amount outstanding.

After initial recognition, such assets are measured at the amortized cost of the total carrying amount determined by the effective interest method less any impairment loss, and any exchange gains or losses are recognized in profit or loss.

③ Investments in equity instruments at fair value through other comprehensive income (FVTOCI)

The Group may, upon initial recognition, make an irrevocable election to designate as at FVTOCI the investments in equity instruments that are not held for trading and the ones that an acquirer does not recognize in a business combination or with the contingent consideration.

Investments in an equity instrument at FVTOCI are measured at fair value, and any subsequent fair value changes are recognized in other comprehensive income and accumulated in other equity. Upon disposal, cumulative gains or losses are directly transferred to retained earnings and are not reclassified as profit or loss.

Dividends from investments in equity instruments at FVTOCI are recognized in profit or loss when the Group's right to receive the payment is established unless such dividends clearly represent the recovery of a part of the investment cost.

(2) Impairment of financial assets

The Group assesses the impairment loss of financial assets measured at amortized cost (including trade receivables) based on the expected credit loss at each balance sheet date.

Trade receivables are recognized as loss allowance based on the lifetime expected credit losses. Other financial assets are first assessed based on whether the credit risk has increased significantly since the initial recognition. If there is no significant increase in risks, loss allowance is recognized in an amount equal to 12-month expected credit loss. If the risks have increased significantly, loss allowance shall be in an amount equal to the lifetime expected credit loss.

The expected credit loss is the weighted average credit loss with the risk of default as the weight. The 12-month expected credit losses represent the expected credit losses from a financial instrument's possible defaults within 12 months after the balance sheet date. The lifetime expected credit losses represent the expected credit losses from all possible defaults in a financial instrument during the expected period of existence.

The carrying amount in the impairment loss of all financial assets is reduced through the allowance account. However, the loss allowance for investment in debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income, and its carrying amount is not reduced.

(3) Derecognition of financial assets

When derecognizing a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the consideration received is recognized in profit or loss. When derecognizing an investment in an equity instrument measured at fair value through other comprehensive income in its entirety, the cumulative profit or loss is transferred directly to retained earnings. It is not reclassified to profit or loss.

Equity instrument

The debt and equity instruments issued by the Group are classified as financial liabilities or equity based on the substance of the contractual agreement and the definition of financial liabilities and equity instruments.

The equity instruments issued by the Group are recognized in the amount obtained after deducting the cost of direct issuance.

Redemption of the Company's own equity instruments is recognized and deducted under equity. The purchase, sales, issuance, or cancellation of the Company's own equity instruments is not recognized in profit or loss.

Financial liability

(1) Subsequent measurement

Financial liabilities are measured at amortized cost by the effective interest method or at fair value through profit or loss.

Financial liabilities measured at fair value through profit and loss are measured at fair value at the balance sheet date. The gains or losses resulting from remeasurement are recognized in profit or loss.

(2) Derecognition of financial liabilities

The Group only derecognizes financial liabilities when the obligations are fulfilled, cancelled, or expire. When derecognizing financial liabilities, the difference between its carrying amount and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognized in profit or loss.

7. Inventories

Inventories include raw materials, merchandise, and held-for-sale properties in the construction industry. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of the same category's inventory, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. The cost of inventory is calculated using the weighted average method.

8. Property, Plant and Equipment

Property, plant and equipment are tangible assets used for the production or provision of goods or services, leased to others, or for management purposes and are expected to be used for more than one period. When they are likely to flow into the Group as economic benefits in the future and meet the condition that the cost can be reliably measured, they will be subsequently measured based on the cost less accumulated depreciation and accumulated impairment losses.

Property, plant and equipment under construction are recognized at cost less accumulated impairment. The cost includes professional service expenses and the cost of loans eligible for capitalization. Such assets are depreciated and classified into the appropriate property, plant and equipment categories when completed and ready for their intended use.

Self-owned land is not recognized in depreciation.

Property, plant and equipment are depreciated using the straight-line method. Each material component is depreciated separately. The Group conducts at least one annual review to assess the estimated useful life, residual value, and depreciation methods at the end of each year. The effects of changes in accounting estimates are applied prospectively.

When it is expected that property, plant and equipment cannot generate future economic benefits from the use or disposal, they will be derecognized. When derecognizing property, plant and equipment, the difference between the net disposal proceeds and the asset's carrying amount is recognized in loss or profit.

9. Investment Property

Investment property refers to property held to earn rent or asset appreciation or both (including property in the process of construction for such purposes). An investment property also includes property that has not yet been determined for future use, so it is regarded as being held for capital appreciation.

For property held for undecided future use, when the efforts in obtaining a construction license are being made, it will be transferred to inventory, property, plant and equipment, or investment property under construction according to the future use.

Investment property is originally measured at cost (including transaction cost) and subsequently measured at the cost less accumulated depreciation and accumulated impairment losses. Buildings and auxiliary equipment are depreciated on a straight-line basis.

Investment property under construction is recognized at the cost less accumulated impairment losses. The cost includes professional service expenses and the cost of loans eligible for capitalization. Such assets begin to be depreciated when they reach the state of the intended use.

When it is expected that investment property cannot generate future economic benefits from disposal or permanent termination, it will be derecognized. When derecognizing investment property, the difference between the net disposal proceeds and the asset's carrying amount is recognized in loss or profit.

10. Intangible asset

Intangible assets with finite useful lives acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment losses. The Group performs amortization on a straight-line basis. It conducts at least one annual review at the end of each year to assess the estimated useful life, residual value, and amortization methods. The effects of changes in accounting estimates are applied prospectively. Except that the Group expects to dispose of an intangible asset before the expiry of its useful life, the residual value of the intangible asset with a limited useful life is estimated to be zero.

When it is expected that intangible assets cannot generate future economic benefits from the use or disposal, they will be derecognized. When derecognizing intangible assets, the difference between the net disposal proceeds and the carrying amount in the asset is recognized in loss or profit.

11. Impairment of tangible and intangible assets (except goodwill)

The Group assesses whether there are any signs that tangible and intangible assets (except goodwill) may have been impaired at each balance sheet date. If there are any signs of impairment, the Company estimates the recoverable amount in the asset. If it is impossible to estimate the recoverable amount in an individual asset, the Group estimates the recoverable amount in the cash-generating unit to which the asset belongs. Shared assets are allocated to individual cash-generating units on a reasonable and consistent basis.

The recoverable amount is the fair value less the cost of disposal or its value in use, whichever is higher. If the recoverable amount in an individual asset or the cash-generating unit is lower than its carrying amount, the carrying amount will be reduced to the recoverable amount and the impairment loss is recognized in profit or loss.

When the impairment loss is subsequently reversed, the carrying amount in the asset or the cash-generating unit is increased to the revised recoverable amount, provided that the increased carrying amount shall not exceed the carrying amount (less amortization or depreciation) of the asset or cash-generating unit that was not impaired in the previous years. The reversed impairment loss is recognized in profit or loss.

12. Leases

(1) The Group as lessor

The leases of low-value underlying assets and short-term lease options are recognized on a straight-line basis as expenses.

(2) The Group as lessee

When almost all the risks and rewards attached to the ownership of the asset are transferred to the lessee in a lease clause, it is classified as a financial lease. All other leases are classified as operating leases.

Lease income from operating leases is recognized as income during the lease period on a straight-line basis. The initial direct costs incurred from negotiating and arranging operating leases are added to the underlying asset's carrying amount and recognized as expenses during the lease period on a straight-line basis.

13. Borrowing costs

The borrowing cost directly attributable to the acquisition, construction, or production of a qualified asset (that is, an asset that must reach the intended use or sale status after a considerable period of time) is a part of the cost of the asset until almost all necessary have been completed when the asset reaches the intended use or sale status.

Specific borrowings, such as investment income earned via temporary investment before the occurrence of capital expenditures that meet the requirements, are deducted from the borrowing costs that meet the capitalization conditions.

Except for the above, all other borrowing costs are recognized as profit or loss.

14. Post-employment benefits

For pension under the defined contribution plan, the amount in pension contribution is recognized as expenses during the employee's service period.

The cost of defined benefits under the defined benefit retirement plan (including service cost, net interest, and the rereasurement amount) are calculated based on the projected unit credit method. The service cost (including service cost of the current period, service cost of previous periods, and gain or loss on settlement) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The rereasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive income and presented in retained earnings when it occurs. It is not be reclassified to profit or loss in subsequent periods.

The net defined benefit liabilities (assets) are the shortfall (surplus) of the defined benefit retirement plan. The net defined benefit assets may not exceed the present value of refund from the plan or reductions in future contributions.

15. Revenue recognition

After the Group identifies its performance obligations in contracts with customers, it allocates the transaction costs to each obligation in the contracts. It recognizes them in income upon satisfaction of performance obligations.

(1) Income from sales of goods

The income from sales of goods is recognized in income and trade receivable when the control of the ownership of a product has been transferred; advance receipts before the transfer of the product has not been completed are recognized in contract liabilities.

(2) Income from labor services

Income from labor services is recognized when labor services are provided.

16. Income tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

(1) Tax currently payable

The surtax of income tax on undistributed earnings calculated in accordance with the provisions of the Income Tax Act is recognized in expenses based on the resolution of the shareholders' meeting for the year.

The adjustment to income tax payable for previous years is recognized in income tax in the current period.

(2) Deferred tax

Deferred income tax is calculated and recognized based on the temporary difference between the carrying amount in assets and liabilities in the consolidated financial statements and the tax basis of taxable income calculation. Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely to be taxable income, against which the deductible temporary differences, losses, and loss credits can be utilized.

Taxable temporary differences related to investment in subsidiaries and affiliated enterprises are recognized in deferred income tax liabilities, except when the Group can control the timing of the reversal of the temporary differences. The temporary differences are likely to be not be reversed in the foreseeable future. The deferred income tax assets arising from deductible temporary differences related to such investments and equity will only be recognized when they are likely to generate sufficient taxable income to realize temporary differences and are expected to be reversed in the foreseeable future.

The carrying amount in deferred income tax assets is reviewed at each balance sheet date. The carrying amount in those that are no longer likely to generate sufficient taxable income to recover all or part of their assets will be reduced. For those that have not been recognized in deferred income tax assets, they are also reviewed at each balance sheet date. If they are likely to generate taxable income in the future to recover all or part of their assets, the carrying amount will be increased.

Deferred income tax assets and liabilities are measured by the tax rate for the current period in which asset realization or liability settlement is expected to occur. The tax rate is based on the tax rate and tax law that has been legislated or substantively legislated as of the balance sheet date. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from how an enterprise expects to recover or settle the carrying amount in its assets and liabilities at the balance sheet date.

(3) Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss; however, the current and deferred income taxes related to items recognized in other comprehensive income or directly recognized in equity are recognized in other comprehensive income or directly in equity, respectively.

(V) Critical Accounting Judgements and Key Sources of Estimation and Uncertainty

In applying the Group's accounting policies, the management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not accessible from other sources. The judgments, estimations, and assumptions shall be based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The management will continue to review the estimates and basic assumptions. If the estimate's adjustment only affects the current period, it is recognized in the current period. If the accounting estimate's adjustment affects both the current period and future periods, it is recognized in the current period and future periods.

Tangible asset impairment assessment

In the process of asset impairment assessment, the Group must estimate the recoverable amount in the asset. Any changes in economic position or changes brought about by the Company's strategy may cause material impairment in the future.

(VI) Summary of Significant Accounting Items

1. Cash and cash equivalents

<u>Item</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Cash on hand	\$ 361	\$ 270
Check and demand (current) deposit	22,807	117,427
Cash equivalents (bank time deposits whose original contract period is not more than 3 months)	<u>1,139</u>	<u>-</u>
Total	<u>\$ 24,307</u>	<u>\$ 117,697</u>

As of Dec. 31, 2020, bank time deposits with an original contract period of more than 3 months are in the amount of NT\$1,396 thousand and classified as financial assets measured at amortized cost.

2. Financial assets at FVTPL

<u>Financial assets mandatorily at FVTPL</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Fuh Hwa Money Market	<u>\$ 14,855</u>	<u>\$ 15,410</u>

3. Financial assets at FVTOCI

<u>Item</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 1,605,525	\$ 576,697
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	<u>5,160</u>	<u>5,441</u>
Total	<u>\$ 1,610,685</u>	<u>\$ 582,138</u>

As of the balance sheet date, none of the financial assets measured at FVTOCI has been provided as a guarantee for bank borrowings.

4. Financial assets at amortized cost

<u>Item</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Time deposit	<u>\$ 1,396</u>	<u>\$ -</u>

5. Notes and accounts receivable - net

<u>Item</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Note receivable	<u>\$ 529</u>	<u>\$ 593</u>
Trade receivable	<u>\$ 48,864</u>	<u>\$ 49,050</u>

In principle, the Group's credit period for trade receivable is 30 days after the invoice date or OA 30–90 days. The Group estimates the irrecoverable amount in trade receivable at the balance sheet date in accordance with the expected credit loss provision policy to ensure that appropriate loss allowance for the irrecoverable receivables has been provided. The Group recognizes the loss allowance for trade receivable based on the lifetime expected credit losses. The expected credit losses on trade receivables are estimated regarding the debtor's past default experience and by analyzing the debtor's current financial position, the general economic conditions of the industry in which the debtor operates, and the prospect of said industry.

None of the Group's notes receivable is overdue.

Aging analysis of trade receivable

	2020.12.31		2019.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 48,728	\$ -	\$ 48,733	\$ -
Past due	136	-	317	-
	<u>\$ 48,864</u>	<u>\$ -</u>	<u>\$ 49,050</u>	<u>\$ -</u>

The above is an aging analysis based on the number of overdue days.

6. Inventories

Item	2020.12.31	2019.12.31
Merchandise	\$ 14,121	\$ 9,945
Raw materials	1,577	4,165
Land held for sale	19,461	19,461
Buildings held for sale	39,227	39,227
Inventories - net	<u>\$ 74,386</u>	<u>\$ 72,798</u>

The cost of goods sold in relation to inventories in 2020 and 2019 was NT\$65,019 thousand and NT\$62,524 thousand, respectively. Due to the decrease in the net realizable value of inventories in 2020, the Group suffered a loss on inventories of NT\$73 thousand, which is added to the cost of goods. In 2019, the Group sold inventories with valuation losses, and it resulted in gains on inventory value recovery of NT\$2,692 thousand, which was debited to the cost of goods sold.

None of the inventories has been provided as a guarantee for bank borrowings as of the balance sheet date above.

7. Prepayments

Item	2020.12.31	2019.12.31
Prepayments and payments to suppliers	\$ 5,868	\$ 7,687
Office supplies	6,452	8,600
Offset against value-added tax payable	9,535	7,610
Total	<u>\$ 21,855</u>	<u>\$ 23,897</u>

8. Property, Plant and Equipment

	Item			2020.12.31		2019.12.31	
	Land			\$ 1,252,071		\$ 1,024,068	
	Buildings			26,476		33,977	
	Equipment			3,913		4,525	
	Other Equipment			3,870		5,362	
	Unfinished construction project			24,713		-	
	Total net amount			<u>\$ 1,311,043</u>		<u>\$ 1,067,932</u>	

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Unfinished construction project	Total
Balance as of Jan. 1, 2020	\$ 1,024,068	\$ 107,425	\$ 17,944	\$ 5,962	\$ 21,972	\$ -	\$ 1,177,371
Additions	-	133	-	-	903	2,771	3,807
Reclassified from investment property	228,003	-	-	-	-	21,942	249,945
Balance as of Dec. 31, 2020	<u>\$ 1,252,071</u>	<u>\$ 107,558</u>	<u>\$ 17,944</u>	<u>\$ 5,962</u>	<u>\$ 22,875</u>	<u>\$ 24,713</u>	<u>\$ 1,431,123</u>
Accumulated depreciation and impairment							
Balance as of Jan. 1, 2020	\$ -	\$ 73,448	\$ 13,419	\$ 5,962	\$ 16,610	\$ -	\$ 109,439
Depreciation expense	-	7,634	612	-	2,395	-	10,641
Balance as of Dec. 31, 2020	<u>\$ -</u>	<u>\$ 81,082</u>	<u>\$ 14,031</u>	<u>\$ 5,962</u>	<u>\$ 19,005</u>	<u>\$ -</u>	<u>\$ 120,080</u>
Net amount as of Dec. 31, 2020	<u>\$ 1,252,071</u>	<u>\$ 26,476</u>	<u>\$ 3,913</u>	<u>\$ -</u>	<u>\$ 3,870</u>	<u>\$ 24,713</u>	<u>\$ 1,311,043</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Unfinished construction project	Total
Balance as of Jan. 1, 2019	\$ 1,024,068	\$ 107,425	\$ 17,944	\$ 5,962	\$ 21,972	\$ -	\$ 1,177,371
Additions	-	-	-	-	-	-	-
Balance as of Dec. 31, 2019	<u>\$ 1,024,068</u>	<u>\$ 107,425</u>	<u>\$ 17,944</u>	<u>\$ 5,962</u>	<u>\$ 21,972</u>	<u>\$ -</u>	<u>\$ 1,177,371</u>
Accumulated depreciation and impairment							
Balance as of Jan. 1, 2019	\$ -	\$ 65,480	\$ 12,653	\$ 5,962	\$ 13,983	\$ -	\$ 98,078
Depreciation expense	-	7,968	766	-	2,627	-	11,361

Balance as of								
Dec. 31, 2019	\$	-	\$ 73,448	\$ 13,419	\$ 5,962	\$ 16,610	\$ -	\$ 109,439
Net amount as of								
Dec. 31, 2019	\$	1,024,068	\$ 33,977	\$ 4,525	\$ -	\$ 5,362	\$ -	\$ 1,067,932

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives:

Buildings	2-55 years
Equipment	1-15 years
Transport Equipment	5-6 years
Other Equipment	1-15 years

As of the balance sheet date above, for the property, plant and equipment the Group had provided as a guarantee for short-term borrowings, please refer to Note (8) for details.

As of the balance sheet date above, the carrying amount in the land located in the Shanhai section and Yongan section of the Xinwu District, Taoyuan City, for the Company's water wells and other purposes was NT\$23,168 thousand. The land is registered as agricultural land and ownership registration cannot be handled in the Company's name due to legal restrictions. The ownership of the land is temporarily registered under the name of a third party, who has signed a trust registration contract with the Company. The contract clearly defines both parties' rights and obligations, and the ownership will be transferred to the Company after the change of the nature of the land is completed.

9. Investment Property

Item	2020.12.31	2019.12.31
Land	\$ 4,239,698	\$ 4,467,701
Building	46,875	53,509
Investment property under construction	116,509	125,723
Total net amount	\$ 4,403,082	\$ 4,646,933

Cost	Land	Building	Investment property under construction	Total
Balance as of Jan. 1, 2020	\$ 4,467,701	\$ 479,007	\$ 125,723	\$ 5,072,431
Additions	-	1,277	12,728	14,005
Reclassified to property, plant and equipment	(228,003)	-	(21,942)	(249,945)
Balance as of Dec. 31, 2020	\$ 4,239,698	\$ 480,284	\$ 116,509	\$ 4,836,491
Accumulated depreciation and impairment				
Balance as of Jan. 1, 2020	\$ -	\$ 425,498	\$ -	\$ 425,498
Depreciation expense	-	7,911	-	7,911
Balance as of Dec. 31, 2020	\$ -	\$ 433,409	\$ -	\$ 433,409
Net amount as of Dec. 31, 2020	\$ 4,239,698	\$ 46,875	\$ 116,509	\$ 4,403,082

Cost	Land	Building	Investment property under construction	Total
Balance as of Jan. 1, 2019	\$ 4,467,701	\$ 478,578	\$ 123,231	\$ 5,069,510
Additions	-	429	2,492	2,921
Balance as of Dec. 31, 2019	<u>\$ 4,467,701</u>	<u>\$ 479,007</u>	<u>\$ 125,723</u>	<u>\$ 5,072,431</u>
<u>Accumulated depreciation and impairment</u>				
Balance as of Jan. 1, 2019	\$ -	\$ 416,998	\$ -	\$ 416,998
Depreciation expense	-	8,500	-	8,500
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 425,498</u>	<u>\$ -</u>	<u>\$ 425,498</u>
Net amount as of Dec. 31, 2019	<u>\$ 4,467,701</u>	<u>\$ 53,509</u>	<u>\$ 125,723</u>	<u>\$ 4,646,933</u>

The Group's depreciable investment property is depreciated on a straight-line basis according to the estimated useful life of 1 to 45 years.

As of the balance sheet date above, for the investment property the Group had provided as a guarantee for short-term borrowings, please refer to Note (8) for details.

The fair value of the investment property held by the Group as of December 31, 2020 and 2019 was NT\$26,747,889 thousand and NT\$29,586,315 thousand, respectively. The fair value is measured by the management using the third-level inputs and evaluated using a comparative method.

10. Intangible asset

Item	2020.12.31	2019.12.31
Computer software	\$ 8,398	\$ 8,683
Trademark	1,085	1,170
Total net amount	<u>\$ 9,483</u>	<u>\$ 9,853</u>

Cost	Computer software	Trademark	Total
Balance as of Jan. 1, 2020	\$ 13,535	\$ 1,701	\$ 15,236
Additions	1,058	-	1,058
Balance as of Dec. 31, 2020	<u>\$ 14,593</u>	<u>\$ 1,701</u>	<u>\$ 16,294</u>
<u>Accumulated amortization</u>			
Balance as of Jan. 1, 2020	\$ 4,852	\$ 531	\$ 5,383
Amortization expense	1,343	85	1,428
Balance as of Dec. 31, 2020	<u>\$ 6,195</u>	<u>\$ 616</u>	<u>\$ 6,811</u>
Net amount as of Dec. 31, 2020	<u>\$ 8,398</u>	<u>\$ 1,085</u>	<u>\$ 9,483</u>

Cost	Computer software	Trademark	Total
Balance as of Jan. 1, 2019	\$ 13,535	\$ 1,701	\$ 15,236
Additions	-	-	-
Balance as of Dec. 31, 2019	\$ 13,535	\$ 1,701	\$ 15,236
<u>Accumulated amortization</u>			
Balance as of Jan. 1, 2019	\$ 3,608	\$ 446	\$ 4,054
Amortization expense	1,244	85	1,329
Balance as of Dec. 31, 2019	\$ 4,852	\$ 531	\$ 5,383
Net amount as of Dec. 31, 2019	\$ 8,683	\$ 1,170	\$ 9,853

The above-mentioned intangible assets with limited useful life are amortized on a straight-line basis based on the useful life as follows:

Computer software	1–10 years
Trademark	20 years

11. Short-term borrowings

Lending Banks	Financing	2020.12.31	2019.12.31
Bank of Taiwan	Secured borrowings	\$ 1,550,000	\$ 1,179,000
Hua Nan Commercial Bank	Secured borrowings	176,000	300,000
Lending Banks	Financing	2020.12.31	2019.12.31
Jihsun Bank	Credit loans	\$ 150,000	\$ 150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	-	100,000
Shin Kong Commercial Bank Co., Ltd.	Credit loans	200,000	100,000
Mega International Commercial Bank	Credit loans	-	42,000
Taiwan Cooperative Bank	Credit loans	10,500	2,700
First Commercial Bank	Credit loans	1,000	-
		\$ 2,087,500	\$ 1,873,700
Interest rate per annum		0.97%~1.05%	1.15%~1.90%

12. Short-term bills payable

Item	2020.12.31	2019.12.31
Short-term notes payable - face value	\$ 377,000	\$ 542,500
Less: Discounts	(248)	(332)
Short-term notes payable - net	\$ 376,752	\$ 542,168
Interest rate per annum	0.878%~1.048%	1.118%~1.738%

13. Post-employment benefit plans

(1) Defined contribution plans

The pension system of the Labor Pension Act applicable to the Company and Sunshine Shihlin Development Co., Ltd. is a defined contribution plan managed by the government. An amount in 6% of each employee's monthly salary is allocated to the employee's individual account of the Bureau of Labor Insurance. Please Note (6).19 for the pension expenses recognized by the Group in accordance with the defined contribution plan.

(2) Defined benefit plan

The pension system of the Labor Pension Act applicable to the Company is a defined benefit plan managed by the government. The payment of employee pension is calculated based on the length of service and the average salary of the 6 months prior to the retirement approval. The Company contributes 2% of each employee's total monthly salary for their retirement pensions, which will be deposited into the special account of Bank of Taiwan by the Supervisory Committee of Business Entities' Labor Retirement Reserve in its own name. Where the estimated balance of the special account before the end of the year is insufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be compensated before the end of March of the following year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor and the Company has no right to influence its investment management strategy.

The amount in the defined benefit plan is listed as follows:

	2020.12.31	2019.12.31
Present value of the defined benefit obligations	\$ 2,166	\$ 1,990
Fair value of plan assets	(2,429)	(2,295)
Net defined benefit liabilities (assets)	<u>\$ (263)</u>	<u>\$ (305)</u>

Changes in the present value of the defined benefit obligations are listed as follows:

	2020	2019
Present value of the defined benefit obligations at the beginning of the year	\$ 1,990	\$ 1,784
Service cost	36	33
Interest expense	15	18
Remeasurement		
Actuarial losses - changes in financial assumptions	118	69
Actuarial losses - experience adjustments	41	86
Effects of plan curtailment	(34)	-
Present value of the defined benefit obligations at the end of the year	<u>\$ 2,166</u>	<u>\$ 1,990</u>

The changes in the fair value of the plan assets are listed as follows:

	<u>2020</u>	<u>2019</u>
Fair value of plan assets, at the beginning of year	\$ 2,295	\$ 2,089
Interest income	17	21
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	75	144
Employer's contribution	<u>42</u>	<u>41</u>
Fair value of plan assets, at the end of year	<u>\$ 2,429</u>	<u>\$ 2,295</u>

The information on the use of labor pension funds includes return on the funds and fund asset allocation. Please refer to the information published on the website of the Bureau of Labor Funds.

The profit/loss recognized in the defined benefit plan is listed as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 36	\$ 33
Past service cost	(34)	-
Net interest	<u>(2)</u>	<u>(3)</u>
Total	<u>\$ -</u>	<u>\$ 30</u>

The Company is exposed to the following risks due to the pension system of the Labor Standards Act:

- ① Investment risk: The Bureau of Labor Funds invests the labor pension fund in domestic and foreign equity and debt securities and bank deposits on its own and via commissioned operations. However, the profit received by the Group for the plan assets is calculated based on the interest rate not lower than the local bank's 2-year fixed deposit rate.
- ② Interest rate risk: A decrease in government bonds' interest rates will increase the present value of defined benefit obligations and increase the return on investment in debts through the plan assets. The two items partially offset each other in respect of their impact on the defined benefit liabilities.
- ③ Salary risk: The present value of defined benefit obligations is calculated based on the future salaries of members in the plan. Therefore, an increase in the salaries of the members in the plan will increase the present value of defined benefit obligations.

Certified actuaries calculate the present value of the Company's defined benefit obligations and the critical assumptions on the measurement date are as follows:

	<u>Measurement date</u>	
	<u>2020.12.31</u>	<u>2019.12.31</u>
Discount rate	0.35%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the defined benefit obligations	
	2020.12.31	2019.12.31
Discount rate		
Increase by 0.25%	(3.42%)	(3.49%)
Decrease by 0.25%	3.57%	3.65%
Expected increase rate of salaries		
Increase by 0.25%	3.54%	3.64%
Decrease by 0.25%	(3.41%)	(3.49%)

The Company expects to contribute NT\$34 thousand to the defined benefit plan within one year after December 31, 2020.

The average maturity period of the definite benefit obligations as of December 31, 2020 and 2019 was 14 years. The undiscounted pension benefit payment maturity analysis is as follows:

	2020.12.31	2019.12.31
2020	\$ -	\$ 50
2021	52	49
2022	51	48
2023	50	48
2024	49	75
2025 onward	2,073	1,948
	<u>\$ 2,275</u>	<u>\$ 2,218</u>

14. Equity

(1) Share capital of ordinary shares

	2020.12.31	2019.12.31
Authorized capital	<u>\$ 2,800,000</u>	<u>\$ 2,800,000</u>
Issued capital	<u>\$ 2,600,391</u>	<u>\$ 2,600,391</u>

Each share's par value is NT\$10, and each share is entitled to one voting right and the right to receive dividends.

(2) Retained earnings and dividends policy

① Dividends policy in the Articles of Incorporation

The Company's annual net income after tax shall be paid in accordance with the law to make up for the losses from previous years, then appropriate 10% for the legal reserve, and 10% of the remaining for dividends. If there is still a surplus, it shall be resolved by the shareholders' meeting for distribution of shareholders' dividends.

In addition, according to the Company's dividends policy, the distribution of earnings may be conducted in cash and stock dividends. However, due to the changeable industrial environment of the Company, and it is at a tough stage of development, the Company considers the overall industrial environment and manages to achieve stable development and sustainable operation in line with

the long-term financial planning and future capital needs; thus, only after the required funds are financed by means of retained earnings or issuance of stock dividends, the remaining earnings will be distributed by means of cash dividends.

②The legal reserve shall be replenished until its balance reaches the total registered capital of the Company. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to the capital or distributed in cash.

③The Company appropriate funds to and reverses the special reserve in accordance with the requirements of the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865 and Jin-Guan-Zheng-Fa-Zi No. 1010047490 as well as the "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs." When a deduction in the balance of other shareholders' equity is reversed after that, the earnings may be distributed to the portion reversed.

15. Operating income

	2020	2019
Income from sales of goods	\$ 69,150	\$ 71,491
Rental income	74,460	71,959
Guest room income	15,863	26,004
Total	<u>\$ 159,473</u>	<u>\$ 169,454</u>

16. Other income

	2020	2019
Interest income	\$ 24	\$ 34
Dividend income	25,286	19,416
Other income	17,141	11,543
Total	<u>\$ 42,451</u>	<u>\$ 30,993</u>

17. Other gains or losses

	2020	2019
Net losses on exchange	\$ (191)	\$ (63)
Gain on financial assets at FVTPL	55	82
Total	<u>\$ (136)</u>	<u>\$ 19</u>

18. Financial costs

	2020	2019
Interest expense		
Bank borrowings	\$ 19,120	\$ 16,916
Commercial paper	6,368	9,105
Imputed interest on deposit	98	122
Total	<u>\$ 25,586</u>	<u>\$ 26,143</u>

19. Additional information on the nature of expenses

Net income includes the following items:

	<u>2020</u>	<u>2019</u>
Depreciation and Amortization expense		
Depreciation of property, plant and equipment	\$ 10,641	\$ 11,361
Depreciation of investment property	7,911	8,500
Amortization of intangible assets	<u>1,428</u>	<u>1,329</u>
Total	<u>\$ 19,980</u>	<u>\$ 21,190</u>

	<u>2020</u>	<u>2019</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 20,127	\$ 32,121
Direct operating expenses of investment property that does not generate rental income	<u>45,876</u>	<u>65,195</u>
Total	<u>\$ 66,003</u>	<u>\$ 97,316</u>
R&D expenditures expensed when incurred	<u>\$ 9,034</u>	<u>\$ 9,140</u>

	<u>2020</u>	<u>2019</u>
Employee benefits expense		
Post-employment benefits (Note (6).13)		
Defined contribution plans	\$ 2,852	\$ 2,561
Defined benefit plan	-	30
Salaries and bonuses	52,930	45,410
Labor and health insurance expenses	5,527	5,060
Other employee benefit expenses	<u>2,888</u>	<u>2,560</u>
Total	<u>\$ 64,197</u>	<u>\$ 55,621</u>

According to the Articles of Incorporation, if the Company makes profits at the end of a year, it shall allocate 1% for employee compensation. However, if the Company still has accumulated losses, it shall reserve an amount for compensation in advance.

As of December 31, 2020 and 2019, the Company had no earnings available for distribution, so it did not distribute employee compensation. Disclosure of employee compensation and other information is not applicable to the Company.

20. Income tax

(1) Income tax recognized in profit or loss

The adjustment to current accounting income and income tax expenses recognized in profit or loss is as follows:

	<u>2020</u>	<u>2019</u>
Loss before tax	<u>\$ (135,685)</u>	<u>\$ (179,534)</u>

	<u>2020</u>	<u>2019</u>
Income tax expense at the statutory tax rate for net loss before tax	\$ (27,137)	\$ (35,907)
Tax effects of Adjustments:		
Income from tax cessation and exemption	(5,068)	(3,925)
Effects of non-deductible expenses when determining taxable income	58	43
Temporary difference	(271)	(2,606)
Loss carryforwards in the current period	<u>32,418</u>	<u>42,395</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

As of December 31, 2020, the Group's losses not yet carried forward and deadlines are as follows:

	<u>Balance</u>	<u>Deadline</u>
\$	18,956 (Approved)	2021
	123,582 (Approved)	2022
	138,594 (Approved)	2023
	163,339 (Approved)	2024
	330,936 (Approved)	2025
	105,952 (Approved)	2026
	141,882 (Approved)	2027
	(Not yet approved)	
	192,139	2028
	(Not yet approved)	
	192,151	2029
	(Not yet approved)	
	<u>136,637</u>	2030
\$	<u><u>1,544,168</u></u>	

(3) Not recognized as unused loss carryforwards for deferred income tax assets and deductible temporary difference

	<u>2020.12.31</u>	<u>2019.12.31</u>
Loss carryforwards	\$ 1,506,450	\$ 1,533,673
Deductible temporary difference	27,395	26,619

Total	<u>\$ 1,533,845</u>	<u>\$ 1,560,292</u>
-------	---------------------	---------------------

(4) Income tax assessments

The filings of profit-seeking enterprise income tax by the Company and Sunshine Shihlin Development Co., Ltd. have been approved by the tax authorities up to 2017, while Shihlin Environment Corporation and Sunnyfield Shihlin Co., Ltd. up to the year of 2018. However, the Company does not agree with the contents approved from 2007 to 2012 and has applied for a reinspection. Please refer to Note (9) for details.

21. Earnings per Share

	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ (0.52)</u>	<u>\$ (0.69)</u>
The net income and weighted average number of ordinary shares outstanding in calculating basic earnings per share were as follows:		
	<u>2020</u>	<u>2019</u>
Net loss attributable to owners of the company (NTD thousand)	<u>\$ (135,685)</u>	<u>\$ (179,534)</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

22. Material lease arrangements

As of December 31, 2020 and 2019, the total amount in lease payments that the Group will receive in the future for the lease of investment property under operating leases is as follows:

<u>Summary</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Less than 1 year	\$ 67,878	\$ 66,226
1-2 years	39,509	58,667
2-3 years	32,328	33,477
3-4 years	32,177	27,269
4-5 years	29,987	27,269
Over 5 years	<u>365,523</u>	<u>391,698</u>
Total	<u>\$ 567,402</u>	<u>\$ 604,606</u>

23. Capital management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while planning the required working capital and cash according to the characteristics of the industry and the future development of the Company, as well as the external environmental changes and other factors. In order to maintain or adjust the capital structure, the Company may issue new shares, return cash to shareholders, or redeem the Company's shares.

24. Financial instruments

(1) Information on fair value

① The carrying amount in the Group's financial instruments that are not measured at fair value is a reasonable approximate value to their fair value, or their fair

value cannot be reliably measured.

② Financial instruments at fair value

The fair value is divided into three levels based on observability:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; and
- Level 3 fair value refers to the fair value of the inputs for an asset or liability based on unobservable market data (unobservable inputs) measured through valuation techniques.

The fair value levels of the Group's financial instruments measured at fair value on a repetitive basis are as follows:

	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end bond funds	\$ 14,855	\$ -	\$ -	\$ 14,855
Financial assets at FVTOCI				
Stocks	1,605,525	-	5,160	1,610,685
Total	<u>\$ 1,620,380</u>	<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ 1,625,540</u>

	2019.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Open-end bond funds	\$ 15,410	\$ -	\$ -	\$ 15,410
Financial assets at FVTOCI				
Stocks	576,697	-	5,441	582,138
Total	<u>\$ 592,107</u>	<u>\$ -</u>	<u>\$ 5,441</u>	<u>\$ 597,548</u>

There were no transfers between Levels 1 and 2 in 2020 and 2019.

The Group did not acquire or dispose of financial assets at Level 3 fair value in both 2020 and 2019.

③ Valuation techniques and inputs applied for Level 3 fair value measurement

The fair value of unlisted equity investment is evaluated by the market approach. The market approach refers to the transaction price and relevant information of the identical underlying target in the market to estimate the underlying investment target's fair value. The significant unobservable input is a discount based on market liquidity.

(2) Categories of financial instruments

Financial asset	2020.12.31	2019.12.31
Financial assets at FVTPL	\$ 14,855	\$ 15,410
Financial assets at FVTOCI	1,610,685	582,138
Financial assets at amortized cost (Note)	76,236	167,920

Total	<u>\$ 1,701,776</u>	<u>\$ 765,468</u>
	Financial liability	
	2020.12.31	2019.12.31
At amortized cost		
Short-term borrowings	\$ 2,087,500	\$ 1,873,700
Short-term bills payable	376,752	542,168
Accounts payable	7,164	12,865
Other payables and other current liabilities	21,791	24,130
Guarantee deposits received	16,954	15,506
	<u>\$ 2,510,161</u>	<u>\$ 2,468,369</u>

Note: Including cash and cash equivalents, financial assets measured at amortized cost, notes and trade receivables, other receivables, and guarantee deposits paid.

(3) Financial risk management objective and policies

The Group's financial risk management aims to manage interest rate risk, credit risk, and liquidity risk related to operating activities. In order to reduce relevant financial risks, the Group is committed to identifying, evaluating, and avoiding market uncertainties to reduce the potential adverse impact of market changes on the Company's financial performance.

The board of directors reviews the important financial activities of the Group in accordance with relevant regulations and the internal control system. Internal auditors also continue to review compliance with policies and various limits of risk exposure.

(4) Market risk

The Group is exposed to market risks, including changes in interest rates and price changes of equity instruments. The Group does not manage relevant risks with derivative financial instruments.

① Interest rate risk

The Group's interest rate risk comes from short-term borrowings with floating interest rates, which are all due within three months and are renewed with the current positions. The Group's management expects that there is no significant interest rate change risk, so it does not use derivative financial instruments to manage interest rate risk.

The sensitivity analysis of interest rate risk is based on the assumption that the amount in liabilities outstanding at the balance sheet date is outstanding throughout the reporting period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Group's net loss for 2020 and 2019 will increase/decrease by NT\$6,161 thousand and NT\$6,040 thousand, respectively.

② Other price risks

The Company is exposed to price risks due to investment in equity securities. Said investment is not held for trading but is a strategic investment. The Company has not actively engaged in such investment. In order to manage the price risk arising from equity securities investment, all major equity instrument investments must be approved by the Company's board of directors.

If the equity price increases/decreases by 5%, the Group's other comprehensive income for 2020 and 2019 will increase/decrease by NT\$80,534 thousand and NT\$29,107 thousand due to changes in the fair value of financial assets measured at fair value through other comprehensive income.

(5) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk mainly arises from receivables from operating activities, bank deposits from investing activities, fixed-income investments, and other financial instruments. Operation-related credit risks and financial credit risks are managed separately.

As of the balance sheet date, the maximum amount in credit risk exposure that may cause financial losses to the Group due to the counterparty's failure to perform its obligations is the carrying amount in the financial assets recognized on the consolidated balance sheet.

① Credit risk related to operations

In order to maintain the quality of trade receivable, the Group has established operations-related credit risk management procedures and continuously evaluates the recovery of trade and notes receivable to avoid credit risk.

As of December 31, 2020 and 2019, the top three customers accounted for 75.81% and 73.76% of the Group's balance of trade receivables.

② Financial credit risk

The credit risk arising from bank deposits, fixed-income investments, and other financial instruments is measured and monitored by the financial department. As the Group's transaction and contract counterparties are creditworthy banks and financial institutions with stable ratings, there are no material concerns about default, so there is no material credit risk.

(6) Liquidity risk management

The Group manages and maintains sufficient cash and cash equivalents to support its operations and reduce the impact of cash flow fluctuations. The Group's management monitors the drawdown of banks' financing facilities and ensures compliance with the terms of the borrowing contracts.

Bank loans are an essential source of liquidity for the Group. As of December 31, 2020 and 2019, the Group's undrawn financing facilities of bank loans and bills companies were NT\$1,175,500 thousand and NT\$1,273,800 thousand, respectively.

The contract maturity analysis of the non-derivative financial liabilities is conducted based on the earliest date. The Group may be required to repay, and the undiscounted cash flow of financial liabilities.

	Dec. 31, 2020				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 877,000	\$ -	\$ 1,200,000	\$ 10,500	\$ 2,087,500
Short-term bills payable	376,752	-	-	-	376,752
Accounts payable	4,412	2,752	-	-	7,164
Other payables	10,071	1,326	-	10,173	21,570
Other current liabilities	221	-	-	-	221

Guarantee deposits received	-	-	-	16,954	16,954
	<u>\$ 1,268,456</u>	<u>\$ 4,078</u>	<u>\$ 1,200,000</u>	<u>\$ 37,627</u>	<u>\$ 2,510,161</u>

	Dec. 31, 2019				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 845,000	\$ 928,700	\$ 100,000	\$ -	\$ 1,873,700
Short-term bills payable	492,783	49,385	-	-	542,168
Accounts payable	8,190	4,480	5	190	12,865
Other payables	11,525	531	-	11,881	23,937
Other current liabilities	193	-	-	-	193
Guarantee deposits received	-	-	-	15,506	15,506
	<u>\$ 1,357,691</u>	<u>\$ 983,096</u>	<u>\$ 100,005</u>	<u>\$ 27,577</u>	<u>\$ 2,468,369</u>

(VII) Related party transaction

1. Name and relationship

Related Party Name	Relationship with the Group
Wan Hai Lines (India) PVT Ltd.	Substantive related party
AP EZ GO Digital Information Co., Ltd.	Substantive related party
Shanghai Yixing International Trade Co., Ltd.	Substantive related party
Clipper International Shipping Agency Ltd.	Substantive related party
Jiu Fu Garden Co., Ltd.	Substantive related party
Ta Shing Securities Co., Ltd.	Substantive related party
Tai Sounds Culture Co., Ltd.	Substantive related party
Juxu Energy Technology Co., Ltd.	Substantive related party
Zhi Yi Investment Co., Ltd.	Substantive related party
Asia Pacific Logistics International Co., Ltd.	Substantive related party
AP Tour Co., Ltd.	Substantive related party
Taian Insurance Co, Ltd.	Substantive related party
New Taipei City Jin Li Social Welfare and Charity Foundation	Substantive related party

Wan Hai Charitable Foundation	Substantive related party
Shenzhen Uniwin International Logistics Ltd.	Substantive related party
Wan Hai Lines Ltd.	Substantive related party
Wan Hang Tourism (Shanghai) Co., Ltd.	Substantive related party
Dao Qi Co., Ltd.	Substantive related party
Shi Feng Investment Co., Ltd.	Substantive related party
Yi Da Investment Co., Ltd.	Substantive related party
BAO Sheng Shipping Agency Co., Ltd.	Substantive related party
Taiwan Evervaliant Corp.	Substantive related party
Yeong Yi Asia Corp.	Substantive related party
Tian He Foundation	Substantive related party
New Sincere Transportation Corp.	Substantive related party
Interasia Lines Ltd.	Substantive related party

2. All transactions, assets, liabilities, equity, income, and expenses between the Group and its subsidiaries are eliminated in full upon consolidation. The transactions between the Group and other related parties are as follows:

(1) Business transaction

	2020				
	<u>Operating income</u>	<u>Cost of rental sales</u>	<u>Selling and marketing expenses</u>	<u>Administrative expenses</u>	<u>Research expenses</u>
Other related parties	\$ 16,600	\$ 21	\$ 903	\$ 369	\$ 577
	2019				
	<u>Operating income</u>	<u>Cost of rental sales</u>	<u>Selling and marketing expenses</u>	<u>Administrative expenses</u>	<u>Research expenses</u>
Other related parties	\$ 11,348	\$ 14	\$ 1,054	\$ 713	\$ 116
	2020.12.31				
	<u>Trade receivable</u>	<u>Prepayments</u>	<u>Other payables</u>		
Other related parties	\$ 707	\$ 266	\$ 121		
	2019.12.31				
	<u>Trade receivable</u>	<u>Prepayments</u>	<u>Other payables</u>		
Other related parties	\$ 2,481	\$ 403	\$ 67		

For transactions between the Group and related parties, the transaction price

and terms of receipt and payment are not significantly different from those with non-related parties.

(2) The agricultural land is temporarily registered under the name of a related party, and its protection measures are detailed in Note (6).8.

(3) Remuneration to key management personnel

	2020	2019
Short-term benefits	\$ 2,544	\$ 2,261
Post-employment benefits	101	95
	<u>\$ 2,645</u>	<u>\$ 2,356</u>

The remuneration to key management personnel was determined by the remuneration committee based on the performance of individuals and market trends.

(VIII) Assets pledged

The Group has pledged the following assets for short-term borrowings, and the details of their carrying amounts are as follows:

	2020.12.31	2019.12.31
Property, plant and equipment		
Land	\$ 818,331	\$ 802,871
Buildings	1,864	2,168
	<u>820,195</u>	<u>805,039</u>
Investment property:		
Land	1,988,798	2,052,246
Building	36,802	43,110
	<u>2,025,600</u>	<u>2,095,356</u>
Total	<u>\$ 2,845,795</u>	<u>\$ 2,900,395</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2020 and 2019, the amount in guaranteed notes issued by the Group for bank borrowings was NT\$2,270,000 thousand and NT\$2,190,000 thousand, respectively.

2. For the information on endorsement/ guarantee provided by the Group for others, please refer to Table 2.

3. As of December 31, 2020, the outsourcing construction contracts signed by subsidiaries as follows:

Construction contract	Construction			
	outsourced	Contract amount	payment made	Unpaid balance
Warehouse No. 5	\$	28,980	\$ 12,650	\$ 16,330
Shihlin Paper Land Change				
Plan		6,100	2,135	3,965

4. Others:

(1) An incident for business taxes from January 2007 to February 2007 and another one for business taxes from March 2007 to December 2011:

The National Taxation Bureau of Taipei, Ministry of Finance (hereinafter referred to as the “Bureau”) alleged that the Company did not obtain a certificate in accordance with the law and used a government uniform invoice issued by a non-transaction counterparty as an input documentary evidence to offset the sales tax, and levied a business tax for evasion in the amount in NT\$2,931 thousand and NT\$71,134 thousand, respectively, and imposed of an administrative penalty of NT\$1,466 thousand and 35,567 thousand, respectively. In order to avoid unnecessary and unpredictable risks to capital movement and business operations in 2014, the Company has temporarily paid the taxes when filing a lawsuit and accounted for it in other gains and losses.

The Company has applied for a reinspection in accordance with the law. After the reinspection by the Bureau on February 20, 2021, it decided to cancel the business taxes of NT\$2,931 thousand and NT\$71,134 thousand, and penalties of NT\$1,466 thousand and NT\$35,567 thousand.

(2) Description of the profit-seeking enterprise income tax incidents from 2007 to 2012:

The Bureau imposed penalties amounting to NT\$521 thousand in accordance with Article 110 of the Income Tax Act based on the aforementioned reason and fact. The Company had applied for re-inspection in accordance with the law and provided supplementary explanations to request the court to revoke said penalties.

The Bureau is currently reviewing this case, and it should not have a significant impact on the Company's financial business.

(X) Material disaster losses: None.

(XI) Material events after the balance sheet date: None.

(XII) Others: None.

(XIII) Additional Disclosures

1. The Group's significant transactions

- (1) Financing provided to others: See Table 1.
- (2) Endorsements/ guarantees provided. See Table 2.
- (3) Marketable securities held (excluding investment in subsidiaries, associates, and joint venture equity): See Table 3.
- (4) Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None.
- (5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Total purchases from or sales to related parties amounting at least NT\$100 million or 20% of the paid-in capital: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.
- (10) Others: Significant transactions between the parent company and its subsidiaries, as well as between subsidiaries: See Table 4.

2. Information on investees: See Table 5.

3. Information on investments in mainland China: None.

4. Information on main investors: See Table 6.

(XIV) Segments Information

Information reported to the chief operating decision-maker for resource allocation, and segment performance evaluation focuses on types of goods or services delivered or provided. The Group's segments to be reported include the Consumer Goods Department and the Real Estate Development Department. The Consumer Goods Department is responsible for the sales of wet wipes and facial masks and leasing real estate. The Real Estate Development Department is in charge of developing, leasing, and urban renewal and reconstruction of residential property and buildings.

1. Information on the income and operating results of the Group's segments is as follows:

<u>2020</u>	<u>Consumer Goods Department</u>	<u>Real Estate Development Department</u>	<u>Internal write-off</u>	<u>Total</u>
Income from external customers	\$ 115,784	\$ 43,689	\$ -	\$ 159,473
Inter-segment income	97	28	(125)	-
Total income	<u>\$ 115,881</u>	<u>\$ 43,717</u>	<u>\$ (125)</u>	<u>\$ 159,473</u>
Interest income	<u>\$ 21</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 24</u>
Interest expense	<u>\$ 11,896</u>	<u>\$ 13,690</u>	<u>\$ -</u>	<u>\$ 25,586</u>
Depreciation and amortization	<u>\$ 9,858</u>	<u>\$ 10,122</u>	<u>\$ -</u>	<u>\$ 19,980</u>
segment profit or loss	<u>\$ (54,843)</u>	<u>\$ (80,842)</u>	<u>\$ -</u>	<u>\$ (135,685)</u>
Capital expenditure of non-current assets	<u>\$ 3,238</u>	<u>\$ 15,632</u>	<u>\$ -</u>	<u>\$ 18,870</u>
Assets from external entities	\$ 1,875,950	\$ 5,646,043	\$ -	\$ 7,521,993
Inter-segment transactions	10	-	(10)	-
Segment assets	<u>\$ 1,875,960</u>	<u>\$ 5,646,043</u>	<u>\$ (10)</u>	<u>\$ 7,521,993</u>
<u>2020</u>	<u>Consumer Goods Department</u>	<u>Real Estate Development Department</u>	<u>Internal write-off</u>	<u>Total</u>
Liabilities from external entities	<u>\$ 1,148,020</u>	<u>\$ 2,961,288</u>	<u>\$ -</u>	<u>\$ 4,109,308</u>
<u>2019</u>	<u>Consumer Goods Department</u>	<u>Real Estate Development Department</u>	<u>Internal write-off</u>	<u>Total</u>
Income from external customers	\$ 117,831	\$ 51,623	\$ -	\$ 169,454
Inter-segment income	-	17	(17)	-
Total income	<u>\$ 117,831</u>	<u>\$ 51,640</u>	<u>\$ (17)</u>	<u>\$ 169,454</u>
Interest income	<u>\$ 26</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 34</u>
Interest expense	<u>\$ 12,126</u>	<u>\$ 14,017</u>	<u>\$ -</u>	<u>\$ 26,143</u>

Depreciation and amortization	\$ 10,271	\$ 10,919	\$ -	\$ 21,190
segment profit or loss	\$ (70,180)	\$ (109,354)	\$ -	\$ (179,534)
Capital expenditure of non-current assets	\$ 429	\$ 2,492	\$ -	\$ 2,921
Assets from external entities	\$ 952,056	\$ 5,635,207	\$ -	\$ 6,587,263
Inter-segment transactions	-	3	(3)	-
Segment assets	\$ 952,056	\$ 5,635,210	\$ (3)	\$ 6,587,263
Segment liabilities	\$ 1,197,759	\$ 2,869,597	\$ -	\$ 4,067,356

2. Information on segments by location

	2020	2019
Income from external customers		
Region:		
Taiwan	\$ 156,055	\$ 166,106
Europe	642	548
Asia	2,259	2,499
Oceania	-	99
America	517	202
	<u>\$ 159,473</u>	<u>\$ 169,454</u>

All non-current assets of the Company are located in Taiwan.

3. Information on major customers

The income from a single customer that exceeds at least 10% of the Group's operating income is listed as follows:

	2020	2019
Customer A from the Consumer Goods Department	<u>\$ 17,906</u>	<u>\$ 17,906</u>

Shihlin Paper Co., Ltd.
Financing provided to others

For the Years Ended December 31, 2020

Table 1

Unit: NTD thousand

Serial No.	Lender	Borrower	Business relationship	Whether it is a related party	Maximum balance	Ending balance	Transaction Amounts	Interest Rate	Nature of financing provided	Business Transaction Amounts	Reason for the necessity of short-term financing	Amount in provision of allowance for bad debt	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	-	Yes	\$ 400,000	\$200,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$ 682,537	\$1,365,074

Note 1: The amount in financial to an individual borrower is limited to 20% of the net value of the most recent standalone financial statements because the borrower is an investee, in which the Company directly holds more than 90% of the equity of the common stock.

Note 2: The limit shall not exceed 40% of the net value of the Company's most recent standalone financial statements.

Shihlin Paper Co., Ltd. and Subsidiaries

Endorsement/ guarantee provided

For the Years Ended December 31, 2020

Table 2

Unit: NTD thousand

Serial No.	Name of endorser/ guarantor	Guaranteed Party		Limit of endorsement/ guarantee for a single enterprise	Maximum balance of endorsements / guarantees	Balance of endorsements / guarantees at the end of the period	Transaction Amounts	Amount in endorsement/ guarantee secured by assets	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Limit of endorsement/ guarantee	Endorsement/ guarantee provided by a parent company to subsidiary	Endorsement/ guarantee provided by a subsidiary to parent company	Endorsement/ guarantee provided to entity in mainland China
		Company name	Relation										
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	1	\$2,600,391 (Note 2)	\$800,000	\$800,000	\$450,000	-	23.44%	\$5,200,782 (Note 2)	Y	-	-

(Note 1) The relationship between the party endorsed/ guaranteed and the endorser/ guarantor is divided into the following two types:

1. A company, in which the Company directly or indirectly holds at least 50% of the voting shares.
2. A company, in which the Company directly or indirectly holds at least 90% of the voting shares.

(Note 2) The individual party endorsed/ guaranteed, and the calculation method of the total limit of the Company's endorsement/ guarantee is as follows:

1. The party endorsed/ guaranteed is the investee. The Company directly or indirectly holds at least 90% of the ordinary shares, so it is limited to not more than 1x the Company's paid-in capital.
2. The total amount in the Company's endorsement/ guarantee provided to external parties is limited to no more than twice the Company's paid-in capital.

Shihlin Paper Co., Ltd. and Subsidiaries
 Marketable Securities Held (excluding investment in subsidiaries, associates, and joint venture equity)
 December 31, 2020

Table 3

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			
				Shares	Carrying amount	Shares Ratio	Fair value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	Financial assets at FVTOCI - current	29,933,031	1,583,457	1.35%	1,583,457
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - current	114,445	1,064	0.00%	1,064
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	262,510	5,605	0.00%	5,605
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - current	86,206	935	0.00%	935
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - current	170,547	7,206	0.00%	7,206
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - current	68,146	1,298	0.01%	1,298
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - current	400,000	5,960	0.03%	5,960
	Stocks of Taiwan Felt Co., Ltd.	-	Financial assets at FVTOCI - non current	3,330	5,160	4.17%	5,160
	Shihlin Environment Corporation	Fuh Hwa Money Market	-	Financial assets at FVTPL	1,021,372.1	14,855	-

Note: Refer to Tables 5 for the information on subsidiaries, associates, and joint venture equity.

Shihlin Paper Co., Ltd. and Subsidiaries
 Significant intercompany transactions
 For the Years Ended December 31, 2020

Table 4

Unit: NTD thousand

Serial No.	Transaction Company	Counterparty	Relationship with transaction counterparty (Note 1)	Transaction			
				Account	Amount (Note 2)	Transaction Terms	Percentage of the consolidated total revenue or assets
0	Shihlin Paper Co., Ltd.	Sunnyfield Shihlin	1	Income from sales of goods Income from labor services Rental income Other income Purchase Trade receivable Prepayments	368 5,153 4 122 (191) 83 623	Same as general transaction counterparties	0.23% 3.23% 0.00% 0.08% 0.12% 0.00% 0.01%
		Sunshine Shihlin	1	Sale Selling and marketing expenses Administrative expenses R&D expenses Trade receivable	16 1 13 5 9		Same as general transaction counterparties
	Sunnyfield Shihlin	Sunshine Shihlin	2	Sale Selling and marketing expenses Other receivables	81 8 1	Same as general transaction counterparties	0.05% 0.01% 0.00%

(Note 1): The relationship with related parties is:

1. Parent to subsidiary
2. Subsidiary to subsidiary

(Note 2): Eliminated in full in the consolidated financial statements.

Shihlin Paper Co., Ltd. and Subsidiaries
Information on Investees (Name and Location)
For the Years Ended December 31, 2020

Table 5

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Profit or loss on investee	Profit or loss on investment recognized (Note 2)	Remarks
				March 31, 2020	End of Last Year	Shares	Ratio	Carrying amount (Note 2)			
Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Taipei City	Investment and development	15,075	15,075	1,500,000	100.00	26,217	(15)	(15)	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419	3,806,419 (Note 1)	200,100,000	100.00	2,658,537	(80,826)	(80,826)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	200,000	200,000	20,000,000	100.00	12,279	(42,599)	(42,445)	
Sunshine Shihlin Development Co., Ltd.	Da Di Urban Renewal Construction Co., Ltd.	Taipei City	Urban renewal and reconstruction	1,000	1,000	100,000	100.00	102	-	-	(Note 3)

(Note 1): Of the amount, NT\$3,805,419 thousand was transferred to Sunshine Shihlin Development Co., Ltd. through demerger and transfer as the operating value of the Company's property development and other relevant business was transferred to purchase new shares issued by Sunshine Shihlin Development Co., Ltd.

(Note 2): Eliminated in full in the consolidated financial statements.

(Note 3): It has resumed business since June 1, 2020.

Shihlin Paper Co., Ltd.
Information on main investors
December 31, 2020

Table 6

Name of major shareholder	Shares	No. of shares held	Shares Ratio
Wan Hai Charitable Foundation		18,150,259	6.97%
Tai Chuan Investment Co., Ltd.		17,986,525	6.91%
Yeong Yi Asia Corp.		16,521,434	6.35%

Note 1: This table is based on the information on shareholders holding at least 5% of the Company's ordinary shares and preference shares (including treasury shares) with dematerialized registration and delivery completed on the last business day at the end of each quarter. The share capital recorded in the Company's financial statements and the Company's actual number of shares delivered with dematerialized registration completed may be different due to different calculation bases.

Note 2: The aforementioned information will be disclosed by the trustors' personal accounts settled by the trustees. If the shareholders put the shares into a trust. As for the insider declaration of the ownership percentage over 10%, including the shares on hand and those being put in the trust and may be able to decide the usage of the trust assets, please refer to the declaration information on Market Observation Post System (MOPS).