

Shihlin Paper Co., Ltd.

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 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.

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), which comprise the balance sheets as of December 31, 2020 and 2019, and the statements of comprehensive income, changes in equity, and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis 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 Financial Statements of section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion, we do not provide a separate opinion on these matters. The key audit matter identified in the audit of the Company's financial statements as of and for the year ended December 31, 2020 is as follows:

Revenue recognition

For the accounting policy of revenue, please refer to Note (4) 16 for revenue recognition of the financial statements.

As part of the Company's sales income is from sales to distributors, and the Company 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) 12 of the standalone financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (5) of the standalone financial statements.

We assess whether there are any signs that 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 recoverable amount estimation involves many assumptions and estimates, the assessment of tangible asset impairment 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.

Responsibilities of the Management and the Governance Bodies for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintenance of necessary internal control related to the preparation of said statements to ensure that said statements to be free from any material misstatement, either due to fraud or errors.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these 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 standalone 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in financial statements in our auditors' report to the relevant disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone 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 financial statements are intended only to present the financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally applied in the Republic of China.

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

Shihlin Paper Co., Ltd.
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)	\$ 9,449	0.21	\$ 20,797	0.57	2100	Short-term loans	(VI)	\$ 700,000	15.39	\$ 584,000	15.98
1120	FVTOCI financial assets	(IV) and (VI)	1,605,525	35.31	576,697	15.78	2110	Short-term notes and bills payable	(VI)	376,752	8.29	492,783	13.48
							2130	Contract liability	(IV)	49	0.00	189	0.01
1150	Note receivable	(IV) and (VI)	529	0.01	593	0.02	2170	Accounts payable	(VII)	6,718	0.15	7,921	0.21
1170	Net accounts receivable	(IV), (VI), and (VII)	44,616	0.98	42,495	1.16	2200	Other payables	(VII)	9,806	0.21	10,723	0.29
1200	Other receivables	(IV) and (VII)	407	0.01	98	0.00	2300	Other current liabilities		364	0.01	258	0.01
1310	Inventories	(IV) and (VI)	12,490	0.27	9,239	0.25	21XX	Total current liabilities		1,093,689	24.05	1,095,874	29.98
1410	Prepayments	(VII)	3,043	0.07	4,516	0.12							
1470	Other current assets		78	0.00	54	0.00							
11XX	Total current assets		1,676,137	36.86	654,489	17.90							
Non-current liabilities													
							2570	Deferred income tax liabilities		29,405	0.65	29,405	0.80
							2645	Guarantee deposit received		10,983	0.24	10,416	0.29
							25XX	Total non-current liabilities		40,388	0.89	39,821	1.09
							2XXX	Total liabilities		1,134,077	24.94	1,135,695	31.07
Non-current assets													
1517	FVTOCI financial assets	(IV) and (VI)	5,160	0.11	5,441	0.15		Equity attributable to owners of the parent company					
1551	Investment under equity method	(IV) and (VI)	2,697,034	59.32	2,820,333	77.15	3100	Share capital	(VI)				
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	34,379	0.76	35,356	0.97	3110	Common stock		2,600,391	57.19	2,600,391	71.13
1760	Investment Property	(IV), (VI), and (VIII)	124,986	2.75	130,663	3.57		Retained earnings	(VI)				
1780	Intangible asset	(IV) and (VI)	8,398	0.18	8,656	0.24	3320	Special reserve		1,534,420	33.75	1,534,420	41.97
1975	Net defined benefit assets	(IV) and (VI)	263	0.01	305	0.01	3350	Accumulated deficit		(1,779,403)	(39.13)	(1,643,634)	(44.96)
1900	Other non-current assets		405	0.01	359	0.01	3300	Total retained earnings		(244,983)	(5.38)	(109,214)	(2.99)
15XX	Total non-current assets		2,870,625	63.14	3,001,113	82.10	3400	Other equity interest		1,057,277	23.25	28,730	0.79
							3XXX	Total equity		3,412,685	75.06	2,519,907	68.93
	Total assets		\$ 4,546,762	100.00	\$ 3,655,602	100.00		Total liabilities and equity		\$ 4,546,762	100.00	\$ 3,655,602	100.00

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

Shihlin Paper Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note:	2020		2019	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 112,020	100.00	\$ 106,435	100.00
5000	Operating costs	(VI) and (VII)	(67,487)	(60.25)	(57,265)	(53.80)
5900	Gross profit		44,533	39.75	49,170	46.20
	Operating expenses					
6100	Selling expenses	(VII)	46,141	41.19	45,000	42.28
6200	Administrative expenses	(VII)	33,649	30.04	32,877	30.89
6300	R&D expenses	(VII)	6,331	5.65	6,547	6.15
6000	Total operating expenses		86,121	76.88	84,424	79.32
6900	Operating loss		(41,588)	(37.13)	(35,254)	(33.12)
	Non-operating revenue and expense					
7010	Other income	(VI)	40,963	36.57	30,784	28.92
7020	Other gains and losses	(VI)	(54)	(0.05)	(27)	(0.02)
7050	Finance costs	(VI)	(11,720)	(10.46)	(11,502)	(10.81)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	(IV)	(123,286)	(110.06)	(163,535)	(153.65)
7000	Total non-operating revenue and expenses		(94,097)	(84.00)	(144,280)	(135.56)
7900	Net loss before tax		(135,685)	(121.13)	(179,534)	(168.68)
8200	Net loss		(135,685)	(121.13)	(179,534)	(168.68)
	Other comprehensive income - net					
	Items that may not be reclassified subsequently to profit and loss					
	Gains (losses) on remeasurements of defined benefit plans	(IV) and (VI)	(84)	(0.07)	(11)	(0.01)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(IV)	1,028,547	918.18	78,865	74.10
8300	Other comprehensive income (net of tax)		1,028,463	918.11	78,854	74.09
8500	Total comprehensive income (loss)		\$ 892,778	796.98	\$ (100,680)	(94.59)
	Earnings per Share					
9750	Basic earnings per share	(VI)	\$ (0.52)		\$ (0.69)	

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

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

Item	Share capital		Retained earnings			Other items of equity	Total Equity
	Shares (thousands)	Common stock	Special reserve	Accumulated deficit	Total retained earnings	Unrealized gain (loss) on FVTOCI financial assets	
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 standalone financial statements

Shihlin Paper Co., Ltd.
Statements of Cash Flow
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	8,371	8,946
Amortization expenses	1,316	1,216
Interest expenses	11,720	11,502
Interest income	(8)	(15)
Dividend income	(25,285)	(19,416)
Share of profit or loss of subsidiaries accounted for using the equity method	123,286	163,535
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	64	(40)
Decrease (increase) in trade receivable	(2,121)	19,191
Increase in other receivables	(309)	(81)
Decrease (increase) in inventories	(3,251)	15,345
Decrease (increase) in prepayments	1,473	(880)
Decrease (increase) in other current assets	(24)	37
Increase in net defined benefit assets	(42)	(11)
Increase (decrease) in contract liability	(140)	189
Increase (decrease) in accounts payable	(1,203)	2,171
Decrease in other payables	(860)	(682)
Increase (decrease) in other current liability	106	(295)
Cash inflow (outflow) from operating activities	(22,592)	21,178
Interest received	8	15
Dividend received	25,298	19,416
Net cash inflow from operating activities	2,714	40,609
Cash flows from investing activities:		
Acquisition of FVTOCI financial assets	-	(198)
Increase in investment under the equity method	-	(100,000)
Acquisition of property, plant and equipment	(438)	-
Acquisition of investment property	(1,279)	(429)
Acquisition of intangible assets	(1,058)	-
Decrease (increase) in other non-current assets	(46)	124
Net cash used in investing activities	(2,821)	(100,503)

(Continued on the next page)

Shihlin Paper Co., Ltd.
Statements of Cash Flow
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 financing activities:		
Increase in short-term loans	\$ 116,000	\$ 263,000
Decrease in short-term notes and bills payable	(116,000)	(197,000)
Increase (decrease) in guarantee deposit received	567	(310)
Interest paid	(11,808)	(10,641)
Net cash inflow (outflow) from financing activities	(11,241)	55,049
Decrease in cash and cash equivalents	(11,348)	(4,845)
Cash and cash equivalents, beginning of period	20,797	25,642
Cash and cash equivalents, end of period	\$ 9,449	\$ 20,797

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

Shihlin Paper Co., Ltd.
Notes to 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 Company's main business items are the sales of paper processed products, wet wipes, facial masks, skin care products, and toiletries, as well as leasing of assets.

(II) The Authorization of Financial Statements

The standalone 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

- 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 Company.

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

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

- The IFRSs issued by IASB but not yet endorsed and issued into effect by the FSC

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
“Annual Improvement for the Cycle of 2018-2020”	January 1, 2022
Amendment to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" IFRS 17 "Insurance Contracts"	To be determined by IASB
Amendments to IFRS 17	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

As of the date of adoption of the standalone financial statements, the Company has continued to evaluate the impact of the standards and interpretations above on the Company’s financial position and financial performance. The relevant impact will be disclosed when the evaluation is completed.

(IV) Summary of Significant Accounting Policies

1. Statement of compliance

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

2. Basis of preparation

When the Company prepares the standalone financial statements, it adopts the equity method to account for the investment in subsidiaries. The current profit and loss, other comprehensive income, and equity in the standalone financial statements are the same as the current profit and loss, other comprehensive income, and equity attributable to the owners of the company in the Company's consolidated financial statements.

3. Foreign currency

When preparing the standalone financial statements, transactions in currencies other than the Company'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.

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.

6. Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone balance sheets when the Company 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 company's financial assets are those measured at amortized cost and those measured at fair value through other comprehensive income.

① AC financial assets

When the Company's investments in financial assets satisfy the following two conditions simultaneously, they are classified as AC financial assets:

- 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.

② Investments in equity instruments at fair value through other comprehensive income (FVTOCI)

The Company 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 Company'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 Company assesses the impairment loss of financial assets measured at amortized cost (including trade receivable) 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 Company 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 Company 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 Company 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

The inventory includes raw materials and commodities. 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 ordinary 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. Investment under equity method

The Company adopts the equity method to handle investments in subsidiaries. A subsidiary refers to an entity controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost. After the acquisition date, the investment's carrying amount is adjusted based on the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiary. In addition, changes in the interests in subsidiaries are recognized based on the shareholding percentage. When the Company's share of loss derived from the investment in a subsidiary equals or exceeds the carrying amount in the Company's equity in the subsidiary and any other long-term equity that substantively forms part of the Company's net investment in the subsidiary, the Company continues to recognize it as loss based on the shareholding percentage.

When the Company'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 and is treated as a transaction with owners. The difference between the carrying amount in an investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company loses control of a subsidiary, the Company measures its retained investment in said subsidiary based on the fair value at the date of loss of control, the fair value of the retained investment, and the difference between any disposal price and the carrying amount in the investment at the date of loss of control are recognized in profit or loss. In addition, all amounts recognized in other comprehensive profits and losses related to the subsidiary are accounted for on the same basis as the Company's direct disposal of relevant assets or liabilities.

The unrealized gains and losses of downstream transactions between the Company and its subsidiaries are eliminated in the standalone financial statements. The profit or loss arising from the upstream and lateral transactions between the Company and its subsidiaries is recognized in the standalone financial statements only to the extent that it has nothing to do with the Company's equity in the subsidiaries.

9. 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 Company 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 Company 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.

10. 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.

11. 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 Company 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 Company 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.

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

The Company 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 Company 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.

13. Leases

(1) The Company 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 Company 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.

14. 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.

15. 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.

16. Revenue recognition

After the Company 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.

17. 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 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 Company 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 Company'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 Company 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

Item	2020.12.31	2019.12.31
Cash on hand	\$ 262	\$ 113
Check and demand (current) deposit	9,187	20,684
Total	<u>\$ 9,449</u>	<u>\$ 20,797</u>

2. FVTOCI financial assets

Item	2020.12.31	2019.12.31
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	5,160	5,441
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.

3. Notes and accounts receivable - net

Item	2020.12.31	2019.12.31
Note receivable	<u>\$ 529</u>	<u>\$ 593</u>
Trade receivable	<u>\$ 44,616</u>	<u>\$ 42,495</u>

In principle, the Company's credit period for trade receivable is 30 days after the invoice date or OA 30–90 days. The Company 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 Company 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 Company's notes receivable is overdue.

Aging analysis of trade receivable

	2020.12.31		2019.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 44,545	\$ -	\$ 42,263	\$ -
Past due	71	-	232	-
	<u>\$ 44,616</u>	<u>\$ -</u>	<u>\$ 42,495</u>	<u>\$ -</u>

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

4. Inventories

Item	2020.12.31	2019.12.31
Merchandise	\$ 11,995	\$ 8,308
Raw materials	495	931
Inventories - net	<u>\$ 12,490</u>	<u>\$ 9,239</u>

The cost of goods sold in relation to inventories in 2020 and 2019 was NT\$55,157 thousand and NT\$45,082 thousand, respectively. The Company's reduced cost of estimation required to complete the sale and the sale of the depreciated inventory resulted in gain from price recovery of inventory of NT\$331 thousand and NT\$6,603 thousand in 2020 and 2019, respectively, which was debited into 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.

5. Investment under equity method

Investee	2020.12.31		2019.12.31	
	Shares Ratio	Amount	Shares Ratio	Amount
Shihlin Environment Corporation	100.00%	\$ 26,217	100.00%	\$ 26,245
Sunshine Shihlin Development Co., Ltd.	100.00%	2,658,538	100.00%	2,739,364
Sunnyfield Shihlin Co., Ltd.	100.00%	12,279	100.00%	54,724
Total		<u>\$ 2,697,034</u>		<u>\$ 2,820,333</u>

The above-mentioned subsidiaries are all non-listed companies.

For information on subsidiaries, please refer to Table 4 "Information on Investees."

6. Property, Plant and Equipment

	Item		2020.12.31		2019.12.31	
	Land		\$	26,172	\$	26,172
	Buildings			3,647		3,983
	Equipment			3,107		3,610
	Other Equipment			1,453		1,591
	Total net amount		\$	34,379	\$	35,356

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of Jan. 1, 2020	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,141	\$ 62,291
Additions	-	-	-	-	438	438
Balance as of Dec. 31, 2020	<u>\$ 26,172</u>	<u>\$ 7,167</u>	<u>\$ 16,849</u>	<u>\$ 5,962</u>	<u>\$ 6,579</u>	<u>\$ 62,729</u>
Accumulated depreciation and impairment						
Balance as of Jan. 1, 2020	\$ -	\$ 3,184	\$ 13,239	\$ 5,962	\$ 4,550	\$ 26,935
Depreciation expense	-	336	503	-	576	1,415
Balance as of Dec. 31, 2020	<u>\$ -</u>	<u>\$ 3,520</u>	<u>\$ 13,742</u>	<u>\$ 5,962</u>	<u>\$ 5,126</u>	<u>\$ 28,350</u>
Net amount as of Dec. 31, 2020	<u>\$ 26,172</u>	<u>\$ 3,647</u>	<u>\$ 3,107</u>	<u>\$ -</u>	<u>\$ 1,453</u>	<u>\$ 34,379</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of Jan. 1, 2019	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,141	\$ 62,291
Additions	-	-	-	-	-	-
Balance as of Dec. 31, 2019	<u>\$ 26,172</u>	<u>\$ 7,167</u>	<u>\$ 16,849</u>	<u>\$ 5,962</u>	<u>\$ 6,141</u>	<u>\$ 62,291</u>
Accumulated depreciation and impairment						
Balance as of Jan. 1, 2019	\$ -	\$ 2,845	\$ 12,582	\$ 5,962	\$ 3,994	\$ 25,383
Depreciation expense	-	339	657	-	556	1,552
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 3,184</u>	<u>\$ 13,239</u>	<u>\$ 5,962</u>	<u>\$ 4,550</u>	<u>\$ 26,935</u>
Net amount as of Dec. 31, 2019	<u>\$ 26,172</u>	<u>\$ 3,983</u>	<u>\$ 3,610</u>	<u>\$ -</u>	<u>\$ 1,591</u>	<u>\$ 35,356</u>

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

Buildings	2-35 years
Equipment	1-15 years
Transport Equipment	5-6 years
Other Equipment	2-10 years

As of the balance sheet date above, for the property, plant and equipment the Company 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 land ownership is temporarily registered under the name of a third party, who has signed a trust registration contract with the Company. The contract clearly defines the rights and obligations of both parties, and the ownership will be transferred to the Company after the change of the nature of the land is completed.

7. Investment Property

Item	2020.12.31	2019.12.31
Land	\$ 81,189	\$ 81,189
Building	42,448	48,125
Investment property under construction	1,349	1,349
Total net amount	\$ 124,986	\$ 130,663

Cost	Land	Building	Investment property under construction	Total
Balance as of Jan. 1, 2020	\$ 81,189	\$ 447,989	\$ 1,349	\$ 530,527
Additions	-	1,279	-	1,279
Balance as of Dec. 31, 2020	\$ 81,189	\$ 449,268	\$ 1,349	\$ 531,806
Accumulated depreciation and impairment				
Balance as of Jan. 1, 2020	\$ -	\$ 399,864	\$ -	\$ 399,864
Depreciation expense	-	6,956	-	6,956
Balance as of Dec. 31, 2020	\$ -	\$ 406,820	\$ -	\$ 406,820
Net amount as of Dec. 31, 2020	\$ 81,189	\$ 42,448	\$ 1,349	\$ 124,986

Cost	Land	Building	Investment property under construction	Total
Balance as of Jan. 1, 2019	\$ 81,189	\$ 447,560	\$ 1,349	\$ 530,098
Additions	-	429	-	429
Balance as of Dec. 31, 2019	<u>\$ 81,189</u>	<u>\$ 447,989</u>	<u>\$ 1,349</u>	<u>\$ 530,527</u>
<u>Accumulated depreciation and impairment</u>				
Balance as of Jan. 1, 2019	\$ -	\$ 392,470	\$ -	\$ 392,470
Depreciation expense	-	7,394	-	7,394
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 399,864</u>	<u>\$ -</u>	<u>\$ 399,864</u>
Net amount as of Dec. 31, 2019	<u>\$ 81,189</u>	<u>\$ 48,125</u>	<u>\$ 1,349</u>	<u>\$ 130,663</u>

The Company'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 Company had provided as a guarantee for short-term borrowings, please refer to Note (8) for details.

The fair value of the Company's investment property as of December 31, 2020 and 2019 was NT\$1,511,657 thousand and NT\$1,497,098 thousand, respectively. The fair value is measured by the management using the third-level inputs and evaluated using a comparative method.

8. Intangible asset

Item	2020.12.31	2019.12.31
Computer software	<u>\$ 8,398</u>	<u>\$ 8,656</u>
<u>Cost</u>		
Balance as of Jan. 1, 2020		\$ 12,595
Additions		1,058
Balance as of Dec. 31, 2020		<u>\$ 13,653</u>
<u>Accumulated amortization</u>		
Balance as of Jan. 1, 2020		\$ 3,939
Amortization expenses		1,316
Balance as of Dec. 31, 2020		<u>\$ 5,255</u>
Net amount as of Dec. 31, 2020		<u>\$ 8,398</u>
<u>Cost</u>		
Balance as of Jan. 1, 2019		\$ 12,595
Additions		-

Balance as of Dec. 31, 2019	\$ 12,595
<hr/>	
Accumulated amortization	
<hr/>	
Balance as of Jan. 1, 2019	\$ 2,723
Amortization expenses	1,216
Balance as of Dec. 31, 2019	\$ 3,939
Net amount as of Dec. 31, 2019	\$ 8,656

The above-mentioned intangible assets with limited useful life are amortized on a straight-line basis based on the estimated useful life of 3 to 10 years.

9. Short-term borrowings

Lending Banks	Financing	2020.12.31	2019.12.31
	Secured		
Bank of Taiwan	borrowings	\$ 350,000	\$ 334,000
Jihsun Bank Shin Kong Commercial Bank Co., Ltd.	Credit loans	150,000	150,000
	Credit loans	200,000	100,000
Total		\$ 700,000	\$ 584,000
	Interest rate per annum	0.98%~1.03%	1.15%~1.162%

10. Short-term bills payable

Item	2020.12.31	2019.12.31
Short-term notes payable - face value	\$ 377,000	\$ 493,000
Less: Discounts	(248)	(217)
Short-term notes payable - net	\$ 376,752	\$ 492,783
Interest rate per annum	0.878%~1.048%	1.118%~1.188%

11. Post-employment benefit plans

(1) Defined contribution plans

The pension system of the Labor Pension Act applicable to the Company 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).17 for the pension expenses recognized by the Company 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 expenses	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:

	2020	2019
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	42	41
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:

	2020	2019
Service cost	\$ 36	\$ 33
Past service cost	(34)	-
Net interest	(2)	(3)
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 Company 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:

	Measurement date	
	2020.12.31	2019.12.31
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>

12. 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.

② The 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.

③ The 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 Reserve 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.

13. Operating revenue

	<u>2020</u>	<u>2019</u>
Income from sales of goods	\$ 60,107	\$ 47,988
Rental income	46,637	46,344
Income from labor services	5,154	11,981
Other income	<u>122</u>	<u>122</u>
Total	<u>\$ 112,020</u>	<u>\$ 106,435</u>

14. Other income

	<u>2020</u>	<u>2019</u>
Interest income	\$ 8	\$ 15
Dividend income	25,285	19,416
Other income	<u>15,670</u>	<u>11,353</u>
Total	<u>\$ 40,963</u>	<u>\$ 30,784</u>

15. Other gains and losses

	<u>2020</u>	<u>2019</u>
Net losses on exchange	<u>\$ (54)</u>	<u>\$ (27)</u>

16. Finance costs

	<u>2020</u>	<u>2019</u>
Interest expenses		
Bank borrowings	\$ 5,934	\$ 3,678
Commercial paper	5,734	7,754
Imputed interest on deposit	<u>52</u>	<u>70</u>
Total	<u>\$ 11,720</u>	<u>\$ 11,502</u>

17. Additional information on the nature of expenses

Net income includes the following items:

	<u>2020</u>	<u>2019</u>
Depreciation and amortization expenses		
Depreciation of property, plant and equipment	\$ 1,415	\$ 1,552
Depreciation of investment property	6,956	7,394
Amortization of intangible assets	<u>1,316</u>	<u>1,216</u>
Total	<u>\$ 9,687</u>	<u>\$ 10,162</u>

	<u>2020</u>	<u>2019</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 5,364	\$ 4,780
Direct operating expenses of investment property that does not generate rental income	<u>31</u>	<u>10</u>
Total	<u>\$ 5,395</u>	<u>\$ 4,790</u>
R&D expenditures expensed when incurred	<u>\$ 6,331</u>	<u>\$ 6,547</u>

	<u>2020</u>	<u>2019</u>
Employee benefits expense		
Post-employment benefits (Note (6).11)		
Defined contribution plans	\$ 2,383	\$ 2,103
Defined benefit plan	-	30
Salaries and bonuses	43,007	36,895
Labor and health insurance expenses	4,627	4,156
Remuneration to directors	744	476
Other employee benefit expenses	<u>1,637</u>	<u>1,544</u>
Total	<u>\$ 52,398</u>	<u>\$ 45,204</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.

18. Income tax

(1) Income tax recognized in profit or loss

The adjustment to current accounting income and income tax expenses is as follows:

	<u>2020</u>	<u>2019</u>
Loss before tax	<u>\$ (135,685)</u>	<u>\$ (179,534)</u>
Income tax expense at the statutory tax rate for net loss before tax	\$ (27,137)	\$ (35,907)

	<u>2020</u>	<u>2019</u>
Tax effects of adjustment items:		
Income from tax cessation and exemption	(5,057)	(3,883)
Effects of non-deductible expenses when determining taxable income	10	10
Generation and reversal of temporary differences	24,444	29,195
Loss carryforwards in the current period	<u>7,740</u>	<u>10,585</u>
Tax currently payable	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(2) Information on loss carryforwards

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

<u>Balance</u>	<u>Deadline</u>
\$ 106,781 (Approved)	2022
117,355 (Approved)	2023
140,524 (Approved)	2024
294,658 (Approved)	2025
50,213 (Approved)	2026
53,214 (Approved)	2027
(Not yet approved)	
13,959 approved)	2028
(Not yet approved)	
33,510 approved)	2029
(Not yet approved)	
<u>13,315 approved)</u>	2030
<u><u>\$ 823,529</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	\$ 787,528	\$ 855,594
Deductible temporary difference	<u>16,326</u>	<u>16,586</u>
Total	<u><u>\$ 803,854</u></u>	<u><u>\$ 872,180</u></u>

(4) Income tax assessments

The tax authorities have approved the filings of profit-seeking enterprise income tax by the Company up to the year 2017. 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.

19. 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>

20. Material lease arrangements

As of December 31, 2020 and 2019, the total amount in lease payments that the Company 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	\$ 46,100	\$ 43,904
1-2 years	33,392	43,356
2-3 years	29,508	31,145
3-4 years	29,549	27,269
4-5 years	29,549	27,269
Over 5 years	<u>365,523</u>	<u>391,698</u>
Total	<u>\$ 533,621</u>	<u>\$ 564,641</u>

24. 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.

25. Financial instruments

(1) Information on fair value

① The Company's management believes that the carrying amount in financial instruments that are not measured at fair value is close to their fair value, or their fair value cannot be reliably measured.

②Financial 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 Company's financial instruments measured at fair value on a repetitive basis are as follows:

	2020.12.31			
	Level 1	Level 2	Level 3	Total
FVTOCI financial assets				
Stocks	\$ 1,605,525	\$ -	\$ 5,160	\$ 1,610,685
	2019.12.31			
	Level 1	Level 2	Level 3	Total
FVTOCI financial assets				
Stocks	\$ 576,697	\$ -	\$ 5,441	\$ 582,138

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

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

③Valuation 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 FVTOCI	\$ 1,610,685	\$ 582,138
AC financial assets (Note)	55,406	64,342
Total	\$ 1,666,091	\$ 646,480

Financial liability	2020.12.31	2019.12.31
At amortized cost		
Short-term borrowings	\$ 700,000	\$ 584,000
Short-term bills payable	376,752	492,783
Accounts payable	6,718	7,921
Other payables and other current liabilities	9,951	10,863
Guarantee deposit received	10,983	10,416
Total	<u>\$ 1,104,404</u>	<u>\$ 1,105,983</u>

Note: Including cash and cash equivalents, notes and trade receivables, other receivables, and guarantee deposits paid.

(3) Financial risk management objective and policies

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

① Interest rate risk

The Company'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 Company'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 period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Company's net loss for 2020 and 2019 will increase/decrease by NT\$2,692 thousand.

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 Company'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 the Company's financial loss. The Company'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 Company due to the counterparty's failure to perform its obligations is the carrying amount in the financial assets recognized on the standalone balance sheet.

① Credit risk related to operations

In order to maintain the quality of trade receivable, the Company 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 82.62% and 82.96% of the Company'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 Company'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 Company manages and maintains sufficient cash and cash equivalents to support its operations and reduce the impact of cash flow fluctuations. The Company's management monitors the drawdown of banks' financing facilities and ensures compliance with the terms of the borrowing contracts.

Bank loans are an important source of liquidity for the Company. As of December 31, 2020 and 2019, the Company's undrawn financing facilities of bank loans and bills companies were NT\$663,000 thousand and NT\$463,000 thousand, respectively.

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

	Dec. 31, 2020				Total
	Less than 30 days	31–60 days	61–90 days	Over 90 days	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 700,000	\$ -	\$ -	\$ -	\$ 700,000
Short-term bills payable	376,752	-	-	-	376,752
Accounts payable	4,138	2,580	-	-	6,718
Other payables	6,133	614	-	3,059	9,806
Other current liabilities	145	-	-	-	145
Guarantee deposit received	-	-	-	10,983	10,983

	<u>\$ 1,087,168</u>	<u>\$ 3,194</u>	<u>\$ -</u>	<u>\$ 14,042</u>	<u>\$ 1,104,404</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	\$ -	\$ 484,000	\$ 100,000	\$ -	\$ 584,000
Short-term bills payable	492,783	-	-	-	492,783
Accounts payable	4,414	3,435	-	72	7,921
Other payables	5,855	407	-	4,461	10,723
Other current liabilities	140	-	-	-	140
Guarantee deposit received	-	-	-	10,416	10,416
	<u>\$ 503,192</u>	<u>\$ 487,842</u>	<u>\$ 100,000</u>	<u>\$ 14,949</u>	<u>\$ 1,105,983</u>

(VII) Related party transaction

1. Name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Sunshine Shihlin Development Co., Ltd.	Subsidiary
Sunnyfield Shihlin Co., Ltd.	Subsidiary
Taian Insurance Co, Ltd.	Substantive related party
Asia Pacific Logistics International Co., Ltd.	Substantive related party
Wan Hai Lines Ltd.	Substantive related party
AP EZ GO Digital Information 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
Shi Feng Investment Co., Ltd.	Substantive related party
Yi Da Investment Co., Ltd.	Substantive related party
<u>Related Party Name</u>	<u>Relationship with the Company</u>
Zhi Yi Investment Co., Ltd.	Substantive related party
Tai Sounds Culture Co., Ltd.	Substantive related party
AP Tour Co., Ltd.	Substantive related party
Ta Shing Securities Co., Ltd.	Substantive related party
Taiwan Evervaliant Corp.	Substantive related party
Interasia Lines Ltd.	Substantive related party

2. Business transaction

	2020				
	Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Subsidiary	\$ 5,663	\$ (191)	\$ 1	\$ 13	\$ 6
Other related parties	8,069	-	247	242	5
	2019				
	Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin	\$ 12,723	\$ 4,369	\$ -	\$ -	\$ -
Other subsidiaries	-	-	-	-	17
Other related parties	1,916	-	344	361	7
	2020.12.31				
	Trade receivable		Prepayments		
Subsidiary	\$ 92		\$ 624		
Other related parties	554		30		
	2019.12.31				
	Trade receivable	Other receivables	Prepayments	Accounts payable	Other payables
Subsidiary	\$ 125	\$ 52	\$ -	\$ 69	\$ 3
Other related parties	330	-	19	-	22

For transactions between the Company and its related parties, except that the subsidiary Sunshine Shihlin Development Co., Ltd. provides part of its factory for the Company's use free of charge, the rest of the transaction prices and terms of receipt and payment are not significantly different from those of non-related parties.

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

4. 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 Company 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	\$ 3,003	\$ 3,003
Net amount in buildings	-	32
	<u>3,003</u>	<u>3,035</u>
Investment property:		
Land	28,604	28,604
Net amount in buildings	32,818	38,187
	<u>61,422</u>	<u>66,791</u>
Total	<u>\$ 64,425</u>	<u>\$ 69,826</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

- 1.As of December 31, 2020 and 2019, the amount in guaranteed notes issued by the Company for bank borrowings was NT\$1,740,000 thousand and NT\$1,640,000 thousand, respectively.
- 2.As of December 31, 2020 and 2019, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. for bank borrowings was NT\$800,000 thousand. The amount drawn was NT\$450,000 thousand.
- 3.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. Information on 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.

2. Information on investees: See Table 4.

3. Information on investments in mainland China: None.

4. Information on main investors: See Table 5.

(XIV) Segments Information

The Company has disclosed relevant segment information in the consolidated financial statements in accordance with regulations.

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.
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 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 (Note 1)										
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 its 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	March 31, 2020			
				Shares	Carrying amount	Shares Ratio	Fair value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	FVTOCI financial assets - current	29,933,031	1,583,457	1.35%	1,583,457
	Stocks of China Development Financial Holding Corporation	-	FVTOCI financial assets - current	114,445	1,064	0.00%	1,064
	Stocks of First Financial Holding Co., Ltd.	-	FVTOCI financial assets - current	262,510	5,605	0.00%	5,605
	Stocks of Far Eastern International Bank Co., Ltd.	-	FVTOCI financial assets - current	86,206	935	0.00%	935
	Stocks of Cathay Financial Holdings Co., Ltd.	-	FVTOCI financial assets - current	170,547	7,206	0.00%	7,206
	Stocks of Chia Hsin Cement Corporation	-	FVTOCI financial assets - current	68,146	1,298	0.01%	1,298
	Stocks of China Bills Finance Corporation	-	FVTOCI financial assets - current	400,000	5,960	0.03%	5,960
	Stocks of Taiwan Felt Co., Ltd.	-	FVTOCI financial assets - non current	3,330	5,160	4.17%	5,160
Shihlin Environment Corporation	Fuh Hwa Money Market	-	FVTPL financial assets	1,021,372	14,855	-	14,855

Note: Refer to Table 4 for the information on subsidiaries, associates, and joint venture equity.

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

Table 4

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		As of March 31, 2020			Profit or Loss on Investee	Gain (loss) on investments Profit or Loss on Investment	Remarks
				March 31, 2020	End of Last Year	Shares	Ratio	Carrying amount			
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 2)

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

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

Table 5

Shares		
Name of major shareholder	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).

Shihlin Paper Co., Ltd.

Table of Contents of Statements of Significant Accounting Items

Statement of Cash and Cash Equivalents	Statement 1
Statement of FVTOCI financial assets - Current	Statement 2
Statement of Trade Receivable	
Statement of Inventories	Statement 3
Statement of Changes in FVTOCI financial assets - Non-current	Statement 4
Statement of Changes in Investment under Equity Method	Statement 5
Statement of Changes in Property, Plant and Equipment	Note (6).6
Statement of Changes in Investment Property	Note (6).7
Statement of Short-term Loans	Statement 7
Statement of Short-term Notes Payable	Statement 8
Statement of Accounts Payable	Statement 9
Statement of Other Payables	Statement 10
Statement of Operating Revenue	Statement 11
Statement of Operating Costs	Statement 12
Statement of Operating Expenses	Statement 13
Statement of Other Income	Note (6).14
Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses by Function	Statement 14

Shihlin Paper Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2020

Statement 1

Unit: NTD thousand,
unless stated otherwise

Item	Amount
Cash on hand	\$ 262
Cash in banks	
Check deposit	1
Demand deposit - NTD	8,132
Demand deposit - foreign currency (Note)	1,054
Total	\$ 9,449

Note: As for foreign currency deposits, the USD deposit is for \$36 thousand and the JPY deposit \$46 thousand, with the exchange rate of US\$1: NT\$28.48 and JPY\$1: NT\$0.2763.

Shihlin Paper Co., Ltd.

Statement of FVTOCI financial assets - Current

December 31, 2020

Statement 2

Unit: NTD thousand except for unit price and par value, which is NTD)

Name of financial instruments	Shares	Par value	Total	Acquisition costs	Fair value		Pledge
					Unit price (NTD)	Total	
Stocks:							
Wan Hai Lines Ltd.	29,933,031	10	\$ 299,330	\$ 516,384	52.90	\$ 1,583,457	None
China Development Financial Holding Corporation	114,445	10	1,144	1,144	9.30	1,064	None
First Financial Holding Co., Ltd.	262,510	10	2,625	11,975	21.35	5,605	None
Far Eastern International Bank Co., Ltd.	86,206	10	862	701	10.85	935	None
Cathay Financial Holdings Co., Ltd.	170,547	10	1,706	13,273	42.25	7,206	None
Chia Hsin Cement Corporation	68,146	10	681	1,156	19.05	1,298	None
China Bills Finance Corporation	400,000	10	4,000	4,649	14.90	5,960	None
Subtotal			<u>\$ 310,348</u>	<u>\$ 549,282</u>		<u>\$ 1,605,525</u>	

Shihlin Paper Co., Ltd.

Statement of Trade Receivable
December 31, 2020

Statement 3

Unit: NTD thousand

<u>Customer Name</u>	<u>Amount</u>
Fengtien Logistics Co., Ltd.	\$ 31,591
Yue Ye Motors Corporation	3,585
Others (each customer's amount is less than NT\$2,231 thousand)	<u>9,440</u>
Net accounts receivable	<u><u>\$ 44,616</u></u>

Shihlin Paper Co., Ltd.

Statement of Inventories

December 31, 2020

Statement 4

Unit: NTD thousand

Item	Amount	
	Cost	Net realisable value
Merchandise	\$ 16,003	\$ 11,995
Raw Materials	495	495
Total	<u>\$ 16,498</u>	<u>\$ 12,490</u>

Shihlin Paper Co., Ltd.

Statement of Changes in FVTOCI financial assets - Non-current

December 31, 2020

Statement 5

Unit: NTD thousand

Name of financial instruments	Opening balance		Increase		Decrease		Valuation amount (Note)	March 31, 2020		Guarantee/Pl edge
	Shares	Fair value	Shares	Amount	Shares	Amount	Amount	Shares	Fair value	
Taiwan Felt Co., Ltd.	3,330	\$ 5,441	-	\$ -	-	\$ -	\$ (281)	3,330	\$ 5,160	None

Note: Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income are recognized.

Shihlin Paper Co., Ltd.

Statement of Changes in Investment under Equity Method

For the Years Ended December 31, 2020

Statement 6

Unit: NTD thousand, unless stated otherwise

Name	Beginning retained earnings		Increase		Decrease		Profit or loss on investment recognized using the equity method	Ending balance			Net equity		Guarantee/pledge
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount		Amount	Shares (thousands)	Share holding Ratio (%)	Amount	Unit price (NTD)	
Shihlin Environment Corporation	1,500	\$ 26,245	-	\$ -	-	\$ (13)	\$ (15)	1,500	100%	\$ 26,217	-	\$ 26,217	None
Sunshine Shihlin Development	200,100	2,739,364	-	-	-	-	(80,826)	200,100	100%	2,658,538	-	2,658,538	None
Sunnyfield Shihlin	20,000	54,724	-	-	-	-	(42,445)	20,000	100%	12,279	-	12,522	None
		<u>\$ 2,820,333</u>		<u>\$ -</u>		<u>\$ (13)</u>	<u>\$ (123,286)</u>			<u>\$ 2,697,034</u>		<u>\$ 2,697,277</u>	

Shihlin Paper Co., Ltd.
Statement of Short-term Loans
December 31, 2020

Statement 7

Unit: NTD thousand

Creditors	Type of borrowings	Ending balance	Contract period	Interest rate range (%)	Financing facilities	Pledge/ guarantee
Bank of Taiwan	Secured borrowings	\$ 350,000	2020/10/22~2021/01/20	0.98%	NT\$350,000 thousand	Land and factory in Yongan
Jihsun Bank Shin Kong Commercial Bank Co., Ltd.	Credit loans	150,000	2020/11/13~2021/01/18	1.03%	NT\$150,000 thousand	
	Credit loans	<u>200,000</u>	2020/10/08~2021/01/08	0.99%	NT\$200,000 thousand	
		<u><u>\$ 700,000</u></u>				

Shihlin Paper Co., Ltd.

Statement of Short-term Notes and Bills Payable

December 31, 2020

Statement 8

Unit: NTD thousand

Guarantee/Acceptance institution	Contract period	Interest rate range (%)	Amount		
			Issue price	Unamortized discount	Book value
Mega International Commercial Bank	2020/10/20~2021/01/18	0.878%	\$ 150,000	\$ 65	\$ 149,935
China Bills Finance Corporation	2020/11/25~2021/01/29	1.048%	77,000	64	76,936
Grand Bills	2020/12/07~2021/01/29	1.000%	150,000	119	149,881
			<u>\$ 377,000</u>	<u>\$ 248</u>	<u>\$ 376,752</u>

Shihlin Paper Co., Ltd.
Statement of Accounts Payable
December 31, 2020

Statement 9

Unit: NTD thousand

<u>Customer Name</u>	<u>Amount</u>
Nan Liu Enterprise Co., Ltd.	\$ 6,575
Others (each amount is less than NT\$336 thousand)	<u>143</u>
Total	<u><u>\$ 6,718</u></u>

Shihlin Paper Co., Ltd.
Statement of Other Payables
December 31, 2020

Statement 10

Unit: NTD thousand

Item	Summary	Amount
Salary payable	Year-end bonus, perfect attendance bonus, etc.	\$ 3,345
Tax payable	House tax	1,337
Logistic fee payable	Warehousing management fees, freight, etc.	1,208
Labor and health insurance payable	Labor and health insurance expenses, etc.	911
Labor service payable	Certification expense, etc.	578
Others (each amount is less than NT\$490 thousand)	Labor and health insurance payable, etc.	<u>2,427</u>
Total		<u><u>\$ 9,806</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating revenue
2020

Statement 11

Unit: NTD thousand

Item	Unit	Quantity	Amount
Wet wipes	Carton	127,804	\$ 53,082
Anti-epidemic products	Carton	32,257	9,003
Facial masks	Pieces	51,558	1,613
Toiletry collection	Bottles	11,808	1,132
Anti-mosquito collection	Bottles	1,057	979
Skin care products	Bottles	9,765	685
Others			<u>80</u>
Total			66,574
Sales returns and discounts			<u>(6,467)</u>
Net income from sales of goods			60,107
Rental income			46,637
Income from labor services			5,154
Other operating revenue			<u>122</u>
Net operating revenue			<u><u>\$ 112,020</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating Costs

2020

Statement 12

Unit: NTD thousand

Item	Amount	
	Subtotal	Total
Raw material consumption cost:		
Raw material consumption	\$	385
Inventory, at the beginning of the year	\$ 931	
Add: Purchase of raw materials	322	
Less: Other material requisition	(51)	
Transferred to merchandise	(313)	
Loss on inventory	(9)	
Inventory, at the end of year	(495)	
Subtotal		385
Cost of purchased goods sold		54,712
Goods, at the beginning of the year	8,308	
Add: Purchase of goods	62,345	
Raw materials transferred in	313	
Less: Goods, at the end of year	(11,995)	
Loss on inventory	(51)	
Transferred to others:	(4,208)	
Subtotal		55,097
Add: Loss on inventory		60
Cost of sales		55,157
Cost of rental sales		12,330
Total	\$	<u><u>67,487</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating Expenses
2020

Statement 13

Unit: NTD thousand

Item	Selling expenses	Administrative expenses	R&D expenses	Total
Salary	\$ 22,114	\$ 18,418	\$ 4,858	\$ 45,390
Freight expense	9,912	13	-	9,925
Advertising expense	6,406	26	-	6,432
Insurance expense	2,275	2,086	536	4,897
Inspection and testing expense	-	-	224	224
Labor service expense	24	2,019	94	2,137
Other expenses (Note)	<u>5,410</u>	<u>11,087</u>	<u>619</u>	<u>17,116</u>
Total	<u>\$ 46,141</u>	<u>\$ 33,649</u>	<u>\$ 6,331</u>	<u>\$ 86,121</u>

(Note) The amount in each item does not exceed 5% of the amount in each account.

Shihlin Paper Co., Ltd.

Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses by
Function

For the Years Ended December 31, 2020 and 2019

Statement 14

Unit: NTD thousand

	2020			2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expense	\$ -	\$ 43,007	\$ 43,007	\$ -	\$ 36,895	\$ 36,895
Labor and health insurance expenses	-	4,627	4,627	-	4,156	4,156
Pension expense	-	2,383	2,383	-	2,133	2,133
Remuneration to directors	-	744	744	-	476	476
Other employee benefit expenses	-	1,637	1,637	-	1,544	1,544
Depreciation expense	6,956	1,415	8,371	7,394	1,552	8,946
Amortization expenses	-	1,316	1,316	-	1,216	1,216

Note:

1. The number of employees for this year and the previous year are 75 and 72, respectively. Among them, the number of directors who do not serve as employees concurrently are 7 and 6, respectively.

2. Companies whose stocks have been listed on the Taiwan Stock Exchange or Taipei Exchange shall disclose the additional information below:

(1) The average employee benefits expense for the current year is NT\$760 thousand, and that for the previous year was NT\$678 thousand.

(2) The average employee salary expense for the current year is NT\$632 thousand, and that for the previous year was NT\$559 thousand.

(3) The changes in the average employee salary expense adjustment increased by 13.06%.

3. Salary and remuneration policy

(1) The Company does not pay remuneration to directors, but only business execution fees. If the Company has a surplus, it will make an appropriation in accordance with regulations. After the review by the Remuneration Committee and the approval of the board of directors, it will be reported to the shareholders' meeting.

(2) The remuneration policy for the Company's President, Vice Presidents, and managers of equivalent positions is based on the Company's business strategy, profitability, personal performance and contribution, etc., while with reference to the salary standards in the market. After review by the Remuneration Committee, it will be implemented after approval by the board of directors.

(3) The salary and remuneration policy for employees is based on their education and work experience, professional knowledge and skills, years of occupational experience, and personal performance. The overall salary and remuneration mainly include three parts: basic salary, operating/personal performance bonus, and benefits. As for the remuneration standard, the basic salary is based on the competition situation of the position held by each employee and the Company's policy. The operating performance bonus and the employee's personal performance bonus are linked to achieving the employee's personal targets and department targets or the Company operating performance. Regarding benefits, the Company has designed the benefit measures that employees can share on the premise of complying with the provisions of the law and taking into account each employee's needs.