

**Shihlin Paper Co., Ltd.**

Financial Statements

For the Years Ended December 31, 2021 and 2020 and

Independent Auditors' Report

**Shihlin Paper Co., Ltd.**

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021. 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, 2021 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 financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (5) of the 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 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 relevant disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the financial statements, including the relevant notes, 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 financial statements for the year ended December 31, 2021 and are 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 15, 2022

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, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

Asset			December 31, 2021		December 31, 2020		Liabilities and Equity			December 31, 2021		December 31, 2020	
Code	Accounting Items	Note:	Amount	%	Amount	%	Code	Accounting Items	Note:	Amount	%	Amount	%
Current assets							Current liabilities						
1100	Cash and cash equivalents	(IV) and (VI)	\$ 9,584	0.10	\$ 9,449	0.21	2100	Short-term borrowings	(VI)	\$ 372,000	3.91	\$ 700,000	15.39
1120	FVTOCI financial assets	(IV) and (VI)	6,565,620	69.03	1,605,525	35.31	2110	Short-term bills payable	(VI)	619,838	6.52	376,752	8.29
							2130	Contract liability	(IV)	9	0.00	49	0.00
1150	Note receivable	(IV) and (VI)	-	-	529	0.01	2170	Accounts payable		10,303	0.11	6,718	0.15
1170	Net accounts receivable	(IV), (VI), and (VII)	48,571	0.51	44,616	0.98	2200	Other payables	(VII)	11,420	0.12	9,806	0.21
1200	Other receivables	(IV)	1,021	0.01	407	0.01	2300	Other current liabilities		271	0.00	364	0.01
1310	Inventories	(IV) and (VI)	884	0.01	12,490	0.27	21XX	Total current liabilities		1,013,841	10.66	1,093,689	24.05
1410	Prepayments	(VII)	2,192	0.02	3,043	0.07							
1470	Other current assets		68	0.00	78	0.00							
11XX	Total current assets		6,627,940	69.68	1,676,137	36.86	Non-current liabilities						
							2570	Deferred tax liabilities		29,405	0.31	29,405	0.65
							2645	Guarantee deposits received		10,983	0.11	10,983	0.24
							25XX	Total non-current liabilities		40,388	0.42	40,388	0.89
							2XXX	Total liabilities		1,054,229	11.08	1,134,077	24.94
Non-current assets							Equity attributable to owners of the parent company						
1517	FVTOCI financial assets	(IV) and (VI)	5,116	0.06	5,160	0.11	3100	Share capital	(VI)				
1551	Investment under equity method	(IV) and (VI)	2,715,221	28.55	2,697,034	59.32	3110	Common stock		2,600,391	27.34	2,600,391	57.19
1600	Property, Plant and Equipment	(IV), (VI), (VII), and (VIII)	36,249	0.38	34,379	0.76		Retained earnings	(VI)				
1760	Investment Property	(IV), (VI), and (VIII)	118,834	1.25	124,986	2.75	3320	Special reserves		1,532,258	16.11	1,534,420	33.75
1780	Intangible asset	(IV) and (VI)	7,196	0.08	8,398	0.18	3350	Accumulated deficit		(1,692,848)	(17.79)	(1,779,403)	(39.13)
1975	Net defined benefit assets	(IV) and (VI)	442	0.00	263	0.01	3300	Total retained earnings		(160,590)	(1.68)	(244,983)	(5.38)
1900	Other non-current assets		348	0.00	405	0.01	3400	Other equity interest		6,017,316	63.26	1,057,277	23.25
15XX	Total non-current assets		2,883,406	30.32	2,870,625	63.14	3XXX	Total equity		8,457,117	88.92	3,412,685	75.06
Total assets			\$ 9,511,346	100.00	\$ 4,546,762	100.00	Total liabilities and equity			\$ 9,511,346	100.00	\$ 4,546,762	100.00

The accompanying notes are an integral part of the financial statements

Shihlin Paper Co., Ltd.  
Statements of Comprehensive Income  
For the Years Ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note:	2021		2020	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 120,357	100.00	\$ 112,020	100.00
5000	Operating costs	(VI) and (VII)	74,157	61.62	67,487	60.25
5900	Gross profit		46,200	38.38	44,533	39.75
5910	Less: Unrealized sales profits		2,085	1.73	-	-
5950	Net operating profit		44,115	36.65	-	-
	Operating expenses					
6100	Selling expenses	(VII)	42,748	35.52	46,141	41.19
6200	Administrative expenses	(VII)	51,223	42.56	33,649	30.04
6300	R&D expenses	(VII)	4,866	4.04	6,331	5.65
6000	Total operating expenses		98,837	82.12	86,121	76.88
6900	Operating losses		(54,722)	(45.47)	(41,588)	(37.13)
	Non-operating income and expense					
7010	Other income	(VI)	128,658	106.90	40,963	36.57
7020	Other gains and losses	(VI)	49	0.04	(54)	(0.05)
7050	Financial costs	(VI)	(10,008)	(8.31)	(11,720)	(10.46)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	(IV)	20,272	16.84	(123,286)	(110.06)
7000	Total non-operating revenue and expenses		138,971	115.47	(94,097)	(84.00)
7900	Net profit (loss) before tax		84,249	70.00	(135,685)	(121.13)
8200	Net profit (loss)		84,249	70.00	(135,685)	(121.13)
	Other comprehensive income - net					
	Items that may not be reclassified subsequently to profit and loss					
8311	Gains (losses) on remeasurements of defined benefit plans	(IV) and (VI)	144	0.12	(84)	(0.07)
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(IV)	4,960,039	4,121.10	1,028,547	918.18
8300	Other comprehensive income (net of tax)		4,960,183	4,121.22	1,028,463	918.11
8500	Total comprehensive income (loss)		<u>\$ 5,044,432</u>	<u>4,191.22</u>	<u>\$ 892,778</u>	<u>796.98</u>
	Earnings per Share					
9750	Basic earnings per share	(VI)	<u>\$ 0.32</u>		<u>\$ (0.52)</u>	

The accompanying notes are an integral part of the financial statements

Shihlin Paper Co., Ltd.  
 Statements of Changes In Equity  
 For the Years Ended December 31, 2021 and 2020  
 (Expressed in Thousands of New Taiwan Dollars)

Item	Share capital		Retained earnings		Other items of equity		Total Equity
	Shares (thousands)	Common stock	Special reserves	Accumulated deficit	Total retained earnings	Unrealized gain (loss) on FVTOCI financial assets	
Balance at January 1, 2020	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 as of December 31, 2020	260,039	2,600,391	1,534,420	(1,779,403)	(244,983)	1,057,277	3,412,685
Net profit for 2021	-	-	-	84,249	84,249	-	84,249
Other comprehensive income for 2021	-	-	-	144	144	4,960,039	4,960,183
Total comprehensive income for 2021	-	-	-	84,393	84,393	4,960,039	5,044,432
Reversal of special reserve	-	-	(2,162)	2,162	-	-	-
Balance at December 31, 2021	<u>260,039</u>	<u>\$ 2,600,391</u>	<u>\$ 1,532,258</u>	<u>\$ (1,692,848)</u>	<u>\$ (160,590)</u>	<u>\$ 6,017,316</u>	<u>\$ 8,457,117</u>

The accompanying notes are an integral part of the financial statements

Shihlin Paper Co.,Ltd.  
Statements of Cash Flow  
For the Years Ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

	2021	2020
Cash flows from operating activities:		
Net profit (loss) before tax	\$ 84,249	\$ (135,685)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	7,871	8,371
Amortization expense	1,387	1,316
Interest expense	10,008	11,720
Interest income	(5,787)	(8)
Dividend income	(31,363)	(25,285)
Share of loss (profit) of subsidiaries accounted for using the equity method	(20,272)	123,286
Net gain on disposal of property, plant and equipment	(273)	-
Unrealized sales profits	2,085	-
Changes in operating assets and liabilities:		
Decrease in notes receivable	529	64
Increase in accounts receivable	(3,955)	(2,121)
Increase in other receivables	(614)	(309)
Decrease (increase) in inventories	11,606	(3,251)
Decrease in prepayments	851	1,473
Decrease (increase) in other current assets	10	(24)
Increase in net defined benefit assets	(35)	(42)
Decrease in contract liability	(40)	(140)
Increase (decrease) in accounts payable	3,585	(1,203)
Increase (decrease) in other payables	1,077	(860)
Increase (decrease) in other current liabilities	(93)	106
Cash inflow (outflow) from operating activities	60,826	(22,592)
Interest received	5,787	8
Dividends received	31,363	25,298
Net cash inflow from operating activities	97,976	2,714
Cash flows from investing activities:		
Acquisition of FVTOCI financial assets	(12)	-
Acquisition of Property, Plant and Equipment	(2,630)	(438)
Proceeds from disposal of property, plant and equipment	479	-
Acquisition of investment property	(460)	(1,279)

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Shihlin Paper Co.,Ltd.  
Statements of Cash Flow  
For the Years Ended December 31, 2021 and 2020  
(Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2021	2020
Acquisition of intangible assets	\$ (185 )	\$ (1,058 )
Decrease (increase) in other non-current assets	57	(46 )
Net cash used in investing activities	(2,751 )	(2,821 )
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	2,102,000	2,840,000
Repayment of short-term loans	(2,430,000)	(2,724,000)
Borrowing of short-term bills payable	2,620,000	2,764,500
Repayment of short-term bills payable	(2,377,000)	(2,880,500)
Increase in guarantee deposit received	-	567
Interest paid	(10,090)	(11,808)
Net cash outflow from financing activities	(95,090)	(11,241)
Increase (decrease) in cash and cash equivalents	135	(11,348)
Cash and cash equivalents, beginning of period	9,449	20,797
Cash and cash equivalents, end of period	\$ 9,584	\$ 9,449

The accompanying notes are an integral part of the financial statements

Shihlin Paper Co., Ltd.  
Notes to Financial Statements  
For the Years Ended December 31, 2021 and 2020  
(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 15, 2022.

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

1. Initial application of 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’s accounting policies.

2. IFRSs applicable since 2022 and endorsed by the FSC

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
“IFRSs 2018-2020 annual improvement”	January 1, 2022
Amendment to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022
Amendments to IAS 37 “Onerous Contracts - Cost of Fulfilling a Contract”	January 1, 2022

As of the date of 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.

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

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS17 "Insurance Contracts"	January 1, 2023

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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 1, "Disclosure of Accounting Policies"	January 1, 2023
Amendments to IAS 8, "Definition of Accounting Estimates"	January 1, 2023
Amendments to IAS 12 "Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction"	January 1, 2023

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 Financial assets at amortized cost

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. Income 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

<u>Item</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Cash on hand	\$ 90	\$ 262
Check and demand (current) deposit	9,494	9,187
Total	<u>\$ 9,584</u>	<u>\$ 9,449</u>

2. Financial assets at FVTOCI

<u>Item</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 6,565,620	\$ 1,605,525
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	5,116	5,160
Total	<u>\$ 6,570,736</u>	<u>\$ 1,610,685</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

<u>Item</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Note receivable	<u>\$ -</u>	<u>\$ 529</u>
Trade receivable	<u>\$ 48,571</u>	<u>\$ 44,616</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

	2021.12.31		2020.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 48,571	\$ -	\$ 44,545	\$ -
Past due	-	-	71	-
	<u>\$ 48,571</u>	<u>\$ -</u>	<u>\$ 44,616</u>	<u>\$ -</u>

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

4. Inventories

Item	2021.12.31	2020.12.31
Merchandise	\$ 259	\$ 11,995
Raw materials	625	495
Net bal of inventory	<u>\$ 884</u>	<u>\$ 12,490</u>

The cost of goods sold in relation to inventories in 2021 and 2020 was NT\$62,577 thousand and NT\$55,157 thousand, respectively. The Company's reduced expense of estimation required to complete the sale and the sale of the depreciated inventory resulted in gain from price recovery of inventory of NT\$3,529 thousand and NT\$331 thousand in 2021 and 2020, 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	2021.12.31		2020.12.31	
	Shares Ratio	Amount	Shares Ratio	Amount
Shihlin Environment Corporation	100.00%	\$ 25,001	100.00%	\$ 26,217
Sunshine Shihlin Development Co., Ltd.	100.00%	2,682,035	100.00%	2,658,538
Sunnyfield Shihlin Co., Ltd.	100.00%	8,185	100.00%	12,279
Total		<u>\$ 2,715,221</u>		<u>\$ 2,697,034</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		2021.12.31		2020.12.31	
	Land		\$	26,172	\$	26,172
	Buildings			3,811		3,647
	Equipment			3,450		3,107
	Transport Equipment			1,685		-
	Other Equipment			1,131		1,453
	Total net amount		\$	36,249	\$	34,379

  

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 2021.1.1	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,579	\$ 62,729
Additions	-	480	705	1,744	406	3,335
Disposal	-	-	-	(3,024)	(247)	(3,271)
Balance as of 2021.12.31	\$ 26,172	\$ 7,647	\$ 17,554	\$ 4,682	\$ 6,738	\$ 62,793
Accumulated depreciation and impairment						
Balance as of 2021.1.1	\$ -	\$ 3,520	\$ 13,742	\$ 5,962	\$ 5,126	\$ 28,350
Depreciation expense	-	316	362	59	522	1,259
Disposal	-	-	-	(3,024)	(41)	(3,065)
Balance as of 2021.12.31	\$ -	\$ 3,836	\$ 14,104	\$ 2,997	\$ 5,607	\$ 26,544
Net amount as of 2021.12.31	\$ 26,172	\$ 3,811	\$ 3,450	\$ 1,685	\$ 1,131	\$ 36,249

  

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 2020.1.1	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,141	\$ 62,291
Additions	-	-	-	-	438	438
Balance as of Dec. 31, 2020	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,579	\$ 62,729
Accumulated depreciation and impairment						
Balance as of 2020.1.1	\$ -	\$ 3,184	\$ 13,239	\$ 5,962	\$ 4,550	\$ 26,935
Depreciation expense	-	336	503	-	576	1,415
Balance as of Dec. 31, 2020	\$ -	\$ 3,520	\$ 13,742	\$ 5,962	\$ 5,126	\$ 28,350
Net amount as of Dec. 31, 2020	\$ 26,172	\$ 3,647	\$ 3,107	\$ -	\$ 1,453	\$ 34,379

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 (VIII) 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	2021.12.31	2020.12.31
Land	\$ 81,189	\$ 81,189
Building	35,836	42,448
Investment property under construction	1,809	1,349
Total net amount	<u>\$ 118,834</u>	<u>\$ 124,986</u>

Cost	Land	Building	Investment property under construction	Total
Balance as of 2021.1.1	\$ 81,189	\$ 449,268	\$ 1,349	\$ 531,806
Additions	-	-	460	460
Balance as of 2021.12.31	<u>\$ 81,189</u>	<u>\$ 449,268</u>	<u>\$ 1,809</u>	<u>\$ 532,266</u>
Accumulated depreciation and impairment				
Balance as of 2021.1.1	\$ -	\$ 406,820	\$ -	\$ 406,820
Depreciation expense	-	6,612	-	6,612
Balance as of 2021.12.31	<u>\$ -</u>	<u>\$ 413,432</u>	<u>\$ -</u>	<u>\$ 413,432</u>
Net amount as of 2021.12.31	<u>\$ 81,189</u>	<u>\$ 35,836</u>	<u>\$ 1,809</u>	<u>\$ 118,834</u>

Cost	Land	Building	Investment property under construction	Total
Balance as of 2020.1.1	\$ 81,189	\$ 447,989	\$ 1,349	\$ 530,527
Additions	-	1,279	-	1,279
2020.12.31 Balance	<u>\$ 81,189</u>	<u>\$ 449,268</u>	<u>\$ 1,349</u>	<u>\$ 531,806</u>
<u>Accumulated depreciation and impairment</u>				
Balance as of 2020.1.1	\$ -	\$ 399,864	\$ -	\$ 399,864
Depreciation expense	-	6,956	-	6,956
Balance as of Dec. 31, 2020	<u>\$ -</u>	<u>\$ 406,820</u>	<u>\$ -</u>	<u>\$ 406,820</u>
Net amount as of Dec. 31, 2020	<u>\$ 81,189</u>	<u>\$ 42,448</u>	<u>\$ 1,349</u>	<u>\$ 124,986</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 (VIII) for details.

The fair value of the Company's investment property as of December 31, 2021 and 2020 was NT\$1,522,957 thousand and NT\$1,511,657 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	2021.12.31	2020.12.31
Computer software	<u>\$ 7,196</u>	<u>\$ 8,398</u>

Cost	Computer software
Balance as of 2021.1.1	\$ 13,653
Additions	185
Balance as of 2021.12.31	<u>\$ 13,838</u>

Accumulated amortization	Computer software
Balance as of 2021.1.1	\$ 5,255
Amortization expense	1,387
Balance as of 2021.12.31	<u>\$ 6,642</u>
Net amount as of 2021.12.31	<u>\$ 7,196</u>

Cost	Computer software
Balance as of 2020.1.1	\$ 12,595
Additions	1,058
Balance as of Dec. 31, 2020	<u>\$ 13,653</u>

<u>Accumulated amortization</u>	
Balance as of 2020.1.1	\$ 3,939
Amortization expense	<u>1,316</u>
Balance as of Dec. 31, 2020	<u>\$ 5,255</u>
Net amount as of Dec. 31, 2020	<u>\$ 8,398</u>

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

<u>Lending Banks</u>	<u>Financing</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
	Secured		
Bank of Taiwan	borrowings	\$ 202,000	\$ 350,000
Jihsun Bank	Credit loans	150,000	150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	20,000	-
Shin Kong Commercial Bank Co., Ltd.	Credit loans	-	200,000
Total		<u>\$ 372,000</u>	<u>\$ 700,000</u>
	Interest rate per annum	0.98%~1.03%	0.98%~1.03%

#### 10.Short-term bills payable

<u>Item</u>	<u>2021.12.31</u>	<u>2020.12.31</u>
Short-term bills payable - face value	\$ 620,000	\$ 377,000
Less: Discounts	(162)	(248)
Short-term bills payable - net	<u>\$ 619,838</u>	<u>\$ 376,752</u>
Interest rate per annum	0.798 %~1%	0.878%~1.048%

#### 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 (VI).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:

	2021.12.31	2020.12.31
Present value of the defined benefit obligations	\$ 2,064	\$ 2,166
Fair value of plan assets	(2,506)	(2,429)
Net defined benefit liabilities (assets)	<u>\$ (442)</u>	<u>\$ (263)</u>

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

	2021	2020
Present value of the defined benefit obligations at the beginning of the year	\$ 2,166	\$ 1,990
Service cost	-	36
Interest expense	7	15
Remeasurement		
Actuarial losses - experience adjustments	2	41
Actuarial losses - changes in financial assumptions	1	-
Actuarial gains (losses) - changes in financial assumptions	(112)	118
Effects of plan curtailment	-	(34)
Present value of the defined benefit obligations at the end of the year	<u>\$ 2,064</u>	<u>\$ 2,166</u>

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

	2021	2020
Fair value of plan assets, at the beginning of year	\$ 2,429	\$ 2,295
Interest income	8	17
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	35	75
Employer's contribution	34	42
Fair value of plan assets, at the end of year	<u>\$ 2,506</u>	<u>\$ 2,429</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:

	2021	2020
Service cost	\$ -	\$ 36
Past service cost	-	(34)
Net interest	(1)	(2)
Total	<u>\$ (1)</u>	<u>\$ -</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	
	2021.12.31	2020.12.31
Discount rate	0.75%	0.35%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the defined benefit obligations	
	2021.12.31	2020.12.31
Discount rate		
Increase by 0.25%	(3.24%)	(3.42%)
Decrease by 0.25%	3.37%	3.57%
Expected increase rate of salaries		
Increase by 0.25%	3.35%	3.54%
Decrease by 0.25%	(3.24%)	(3.41%)

The Company expects to contribute NT\$34 thousand to the defined benefit plan within one year after December 31, 2021.

The average maturity period of the definite benefit obligations as of December 31, 2021 and 2020 was 13 and 14 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	2021.12.31	2020.12.31
2021	\$ -	\$ 52
2022	51	51
2023	51	50
2024	50	49
2025	49	49
2026 onward	2,080	2,024
	<u>\$ 2,281</u>	<u>\$ 2,275</u>

## 12. Equity

### (1) Share capital of ordinary shares

	2021.12.31	2020.12.31
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.

(3) The information on the reversal of the special reserve for the first-time adoption of IFRSs due to the elimination of the reasons for the recognition is as follows:

	<u>2021</u>	<u>2020</u>
Beginning retained earnings	\$ 1,534,420	\$ 1,534,420
Reversal of special reserve due to elimination of original reason for provision:		
Sale of land by subsidiaries	<u>(2,162)</u>	<u>-</u>
Ending balance	<u>\$ 1,532,258</u>	<u>\$ 1,534,420</u>
13. Operating revenue		
	<u>2021</u>	<u>2020</u>
Income from sales of goods	\$ 69,693	\$ 60,107
Rental income	46,747	46,637
Income from labor services	3,887	5,154
Other income	<u>30</u>	<u>122</u>
Total	<u>\$ 120,357</u>	<u>\$ 112,020</u>
14. Other income		
	<u>2021</u>	<u>2020</u>
Interest income	\$ 5,787	\$ 8
Dividend income	31,363	25,285
Other income	<u>91,508</u>	<u>15,670</u>
Total	<u>\$ 128,658</u>	<u>\$ 40,963</u>
15. Other gains and losses		
	<u>2021</u>	<u>2020</u>
Net exchange gain (loss)	\$ 71	\$ (54)
Net gain on disposal of property, plant and equipment	273	-
Impairment loss	<u>(295)</u>	<u>-</u>
	<u>\$ 49</u>	<u>\$ (54)</u>
16. Financial costs		
	<u>2021</u>	<u>2020</u>
Interest expense		
Bank borrowings	\$ 4,272	\$ 5,934
Commercial paper	5,683	5,734
Imputed interest on deposit	<u>53</u>	<u>52</u>
Total	<u>\$ 10,008</u>	<u>\$ 11,720</u>

17. Additional information on the nature of expenses

Net income includes the following items:

	<u>2021</u>	<u>2020</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 1,259	\$ 1,415
Depreciation of investment property	6,612	6,956
Amortization of intangible assets	<u>1,387</u>	<u>1,316</u>
Total	<u>\$ 9,258</u>	<u>\$ 9,687</u>

	<u>2021</u>	<u>2020</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 4,968	\$ 5,364
Direct operating expenses of investment property that does not generate rental income	<u>-</u>	<u>31</u>
Total	<u>\$ 4,968</u>	<u>\$ 5,395</u>
R&D expenditures expensed when incurred	<u>\$ 4,866</u>	<u>\$ 6,331</u>

	<u>2021</u>	<u>2020</u>
Employee benefits expense		
Post-employment benefits (Note (VI).11)		
Defined contribution plans	\$ 2,311	\$ 2,383
Defined benefit plan	(1)	-
Salaries and bonuses	57,895	43,007
Labor and health insurance expenses	4,784	4,627
Remuneration to directors	840	744
Other employee benefit expenses	<u>1,830</u>	<u>1,637</u>
Total	<u>\$ 67,659</u>	<u>\$ 52,398</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, 2021 and 2020, 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:

	2021	2020
Net profit (loss) before tax	\$ <u>84,249</u>	\$ <u>(135,685)</u>
Income tax expense at the statutory tax rate (20%) for net profit (loss) before tax	\$ 16,850	\$ (27,137)
Tax effects of adjustments:		
Income from tax cessation and exemption	(6,273)	(5,057)
Effects of non-deductible expenses when determining taxable income	47	10
Generation and reversal of temporary differences	(4,515)	24,444
Loss carryforwards generated (deducted) in the period	<u>(6,109)</u>	<u>7,740</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

### (2) Information on loss carryforwards

As of December 31, 2021, the Company's losses not yet carried forward and deadlines are as follows:

Balance	Deadline
\$ 76,234 (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
33,510 (Approved)	2029
(Not yet approved)	
13,337 approved)	2030
<u>\$ 793,004</u>	

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

	2021.12.31	2020.12.31
Loss carryforwards	\$ 792,987	\$ 787,528
Deductible temporary difference	12,882	16,326
Total	<u>\$ 805,869</u>	<u>\$ 803,854</u>

(4) Income tax assessments

Except for 2018, the tax authorities have assessed the filings of profit-seeking enterprise income tax by the Company up to the year 2019

19.Earnings per Share

	2021	2020
Basic earnings per share	<u>\$ 0.32</u>	<u>\$ (0.52)</u>

The net income and weighted average number of ordinary shares outstanding in calculating basic earnings per share were as follows:

	2021	2020
Net profit (loss) attributable to owners of the Company (NTD thousand)	<u>\$ 84,249</u>	<u>\$ (135,685)</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.Non-cash transaction

	2021	2020
Investing activities for which partial cash payments were made.		
Acquisition of property, plant and equipment	\$ 3,335	\$ -
Increase in other payables	(705)	-
Pay cash	<u>\$ 2,630</u>	<u>\$ -</u>

21.Material lease arrangements

As of December 31, 2021 and 2020, 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:

Summary	2021.12.31	2020.12.31
Less than 1 year	\$ 46,858	\$ 46,100
1-2 years	42,949	33,392
2-3 years	43,468	29,508
3-4 years	43,948	29,549
4-5 years	43,029	29,549
Over 5 years	<u>338,524</u>	<u>365,523</u>
Total	<u>\$ 558,776</u>	<u>\$ 533,621</u>

## 22.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.

## 23.Financial instruments

### (1) Information on fair value

①The Company's management believes that the carrying amount in financial instruments that are not measured at fair value are either a reasonable approximation of fair values, or their fair values 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:

	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Stocks	<u>\$ 6,565,620</u>	<u>\$ -</u>	<u>\$ 5,116</u>	<u>\$ 6,570,736</u>
	2020.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Stocks	<u>\$ 1,605,525</u>	<u>\$ -</u>	<u>\$ 5,160</u>	<u>\$ 1,610,685</u>

There were no transfers between Levels 1 and 2 in 2021 and 2020.

The Company did not acquire or dispose of financial assets at Level 3 fair value in both 2021 and 2020.

#### 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	2021.12.31	2020.12.31
Financial assets at FVTOCI	\$ 6,570,736	\$ 1,610,685
Financial assets at amortized cost (Note)	59,524	55,406
Total	\$ 6,630,260	\$ 1,666,091
<hr/>		
Financial liability	2021.12.31	2020.12.31
At amortized cost		
Short-term borrowings	\$ 372,000	\$ 700,000
Short-term bills payable	619,838	376,752
Accounts payable	10,303	6,718
Other payables and other current liabilities	11,581	9,951
Guarantee deposits received	10,983	10,983
Total	\$ 1,024,705	\$ 1,104,404

Note: Including cash and cash equivalents, notes and trade receivables, other receivables, and guarantee deposits paid (recorded under other non-current assets)

(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 arises from short-term borrowings with floating interest rates. 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 had increased/decreased by 0.25% with all other variables unchanged, the Company's net profit for 2021 would have increased/decreased by NT\$2,480 thousand and net loss for 2020 would have increased/decreased by NT\$2,692 thousand.

## ②Other 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 2021 and 2020 will increase/decrease by NT\$328,537 thousand and NT\$80,534 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.

### ①Credit 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, 2021 and 2020, the top three customers accounted for 99.83% and 82.62% of the Company's balance of trade receivables.

### ②Financial 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, 2021 and 2020, the Company's undrawn financing facilities of bank loans and bills companies were NT\$1,148,000 thousand and NT\$663,000 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.

	December 31, 2021				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 222,000	\$ -	\$ 150,000	\$ -	\$ 372,000

Short-term bills payable	619,838	-	-	-	619,838
Accounts payable	5,079	5,223	-	1	10,303
Other payables	6,413	2,886	-	2,121	11,420
Other current liabilities	-	161	-	-	161
Guarantee deposit received	-	-	-	10,983	10,983
	<u>\$ 853,330</u>	<u>\$ 8,270</u>	<u>\$ 150,000</u>	<u>\$ 13,105</u>	<u>\$ 1,024,705</u>

	December 31, 2020				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 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 deposits 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>

(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
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

	2021				
	Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin	\$ 61,727	\$ (172)	\$ 12,955	\$ 126	\$ 12
Subsidiary	103	-	-	4	-
Other related parties	294	-	117	402	7
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
2021.12.31					
	Trade receivable	Prepayments	Other payables		
Sunnyfield Shihlin	\$ 11,944	\$ -	\$ 4,067		
Other related parties	-	38	-		
2020.12.31					
	Trade receivable	Prepayments			
Subsidiary	\$ 92	\$ 624			
Other related parties	554	30			

## 3. Property transaction

### (1) Acquisition of Property, Plant and Equipment

	Financial Statement Account	Price of acquisition	
		2021	2020
Subsidiary	Equipment	\$ <u>705</u>	\$ <u>-</u>

### (2) Disposal of property, plant and equipment

	Transaction subject matter	2021		
		Selling price	Book value	Gain or loss on sale
Subsidiary	Other Equipment	\$ <u>206</u>	\$ <u>206</u>	\$ <u>-</u>

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.

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

5. Remuneration to key management personnel

	2021	2020
Short-term benefits	\$ 19,770	\$ 2,544
Post-employment benefits	101	101
	<u>\$ 19,871</u>	<u>\$ 2,645</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:

	2021.12.31	2020.12.31
Property, plant and equipment		
Land	\$ 3,003	\$ 3,003
Net amount in buildings	-	-
	<u>3,003</u>	<u>3,003</u>
Investment property:		
Land	28,604	28,604
Net amount in buildings	27,639	32,818
	<u>56,243</u>	<u>61,422</u>
Total	<u>\$ 59,246</u>	<u>\$ 64,425</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2021 and 2020, the amount in guaranteed notes issued by the Company for bank borrowings was NT\$1,840,000 thousand and NT\$1,740,000 thousand, respectively.

2. As of December 31, 2021 and 2020, 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\$350,000 thousand and NT\$450,000 thousand, respectively.

(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 major shareholders: Refer to 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, 2021

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	\$200,000	\$ 200,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$ 1,691,423	\$ 3,382,847
1	Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	-	Yes	\$300,000	\$ 300,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$ 1,691,423	\$ 3,382,847

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, 2021

Table 2

Unit: NTD thousand

Serial No.	Name of endorser/ guarantor	Guaranteed Party		Limit of endorsement/ guarantee for a single enterprise	Maximum balance of endorsements / guarantees	Balance of endorsements / guarantees at the end of the period	Transaction Amounts	Amount in endorsement/ guarantee secured by assets	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Limit of endorsement/ guarantee	Endorsement/ guarantee provided by a parent company to subsidiary	Endorsement/ guarantee provided by a subsidiary to parent company	Endorsement/ guarantee provided to entity in mainland China
		Company name	Relation (Note 1)										
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	1	\$2,600,391 (Note 2)	\$800,000	\$800,000	\$350,000	-	9.46%	\$5,200,782 (Note 2)	Y	-	-
1	Sunshine Shihlin Development Co., Ltd.	Shihlin Environment Corporation	2	2,001,000 (Note 3)	\$553,000	\$553,000	\$553,000	\$553,000	20.62%	\$30,015,000 (Note 3)	-	-	-

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 and the remainder shall not exceed 10% of the 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.

Note 3: The calculation method of the amount to individual party and the total amount of the endorsement and guarantee of the subsidiary, Sunshine Shihlin Development Co., Ltd., is as follows:

1. For companies which directly or indirectly holds 100% of the voting shares of the Company, the Company may endorse a guarantee for companies in which the aforementioned companies directly or indirectly holds 100% of the voting shares up to double the amount of paid-in capital.
2. The total amount of external endorsement and guarantee shall not exceed 15 times the paid-in capital.

Shihlin Paper Co., Ltd. and its Subsidiaries  
 Marketable Securities Held (excluding investment in subsidiaries, associates, and joint venture equity)  
 December 31, 2021

Table 3

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2020			
				Shares	Carrying amount	Shares Ratio	Fair value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	FVTOCI financial assets - current	32,933,115	6,537,224	1.35%	6,537,224
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - current	114,445	2,003	0.00%	2,003
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	265,135	6,496	0.00%	6,496
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - current	87,852	944	0.00%	944
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - current	170,547	10,659	0.00%	10,659
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - current	68,146	1,414	0.01%	1,414
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - current	400,000	6,880	0.03%	6,880
	Stocks of Taiwan Felt Co., Ltd.	-	FVTOCI financial assets - non current	3,330	5,116	4.17%	5,116
Shihlin Environment Corporation	Fuh Hwa Money Market	-	FVTPL financial assets	774,723.7	11,284	-	11,284

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, 2021

Table 4

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		Shares held at year end			Profit or loss on investee	Profit or loss on investment recognized	Remarks
				December 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	25,001	(1,216)	(1,216)	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419	3,806,419 (Note 1)	200,100,000	100.00	2,682,035	23,497	23,497	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	200,000	200,000	20,000,000	100.00	8,185	(2,138)	(2,009)	
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 closed business since January 1, 2022.

Shihlin Paper Co., Ltd.  
Information on main investors  
December 31, 2021

Table 5

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

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

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

## Shihlin Paper Co., Ltd.

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Shihlin Paper Co., Ltd.  
Statement of Cash and Cash Equivalents  
December 31, 2021

Statement 1

Unit: NTD thousand,  
unless stated otherwise

Item	Amount
Cash on hand	\$ 90
Cash in banks	
Check deposit	1
Demand deposit - NTD	9,056
Demand deposit - foreign currency (Note)	437
Total	\$ 9,584

Note: Foreign currency deposits were USD \$15,000 and JPY \$46,000, translated at the exchange rate of US\$1=NT\$27.68 and JPY\$1=NT\$0.2405.

Shihlin Paper Co., Ltd.

Statement of FVTOCI financial assets - Current

December 31, 2021

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.	32,933,115	10	\$ 329,331	\$ 516,396	198.50	\$ 6,537,224	None
China Development Financial Holding Corporation	114,445	10	1,144	1,144	17.50	2,003	None
First Financial Holding Co., Ltd.	265,135	10	2,651	11,975	24.50	6,496	None
Far Eastern International Bank Co., Ltd.	87,852	10	879	701	10.75	944	None
Cathay Financial Holdings Co., Ltd.	170,547	10	1,706	13,273	62.50	10,659	None
Chia Hsin Cement Corporation	68,146	10	681	1,156	20.75	1,414	None
China Bills Finance Corporation	400,000	10	4,000	4,649	17.20	6,880	None
Total			\$ 340,392	\$ 549,294		\$ 6,565,620	

Shihlin Paper Co., Ltd.  
Statement of Trade Receivable  
December 31, 2021

Statement 3

Unit: NTD thousand

<u>Customer Name</u>	<u>Amount</u>
Fengtien Logistics Co., Ltd.	\$ 32,344
Sunnyfield Shihlin Co., Ltd.	11,944
Yue Ye Motors Corporation	3,989
Others (each customer's amount is less than NT\$2,429 thousand)	<u>294</u>
Net accounts receivable	<u><u>\$ 48,571</u></u>

Shihlin Paper Co., Ltd.

Statement of Inventories

December 31, 2021

Statement 4

Unit: NTD thousand

Item	Amount	
	Cost	Net realisable value
Merchandise	\$ 508	\$ 259
Raw materials	855	625
T o t a l	<u>\$ 1,363</u>	<u>\$ 884</u>

Shihlin Paper Co., Ltd.

Statement of Changes in FVTOCI financial assets - Non-current

December 31, 2021

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	A m o u n t	Shares	Fair value	
Taiwan Felt Co., Ltd.	3,330	\$ 5,160	-	\$ -	-	\$ -	\$ (44)	3,330	\$ 5,116	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, 2021

Statement 6

Unit: NTD thousand, unless stated otherwise

Name	Beginning retained earnings		Increase		Decrease		Profit or loss on investment recognized using the equity method	Unrealized sales profits	Ending balance			Net equity		Guarantee/Pledge
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount			Amount	Shares (thousands)	Shareholding Ratio (%)	Amount	Unit price (NTD)	
Shihlin Environment Corporation	1,500	\$ 26,217	-	\$ -	-	\$ -	\$ (1,216)	\$ -	1,500	100%	\$ 25,001	-	\$ 25,001	None
Sunshine Shihlin Development	200,100	2,658,538	-	-	-	-	23,497	-	200,100	100%	2,682,035	-	2,682,035	None
Sunnyfield Shihlin	20,000	12,279	-	-	-	-	(2,009)	(2,085)	20,000	100%	8,185	-	10,384	None
		<u>\$2,697,034</u>		<u>\$ -</u>		<u>\$ -</u>	<u>\$ 20,272</u>	<u>\$ (2,085)</u>			<u>\$2,715,221</u>		<u>\$2,717,420</u>	

Shihlin Paper Co., Ltd.  
Statement of Short-term Loans  
December 31, 2021

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	\$ 202,000	2021/10/13~2022/01/11	1.03%	NT\$550,000 thousand	Land and factory in Yongan
Jihsun Bank	Credit loans	150,000	2021/12/10~2022/03/10	0.98%	NT\$150,000 thousand	
Chang Hwa Commercial Bank, Ltd.	Credit loans	<u>20,000</u>	2021/10/13~2022/01/11	1.00%	NT\$100,000 thousand	
		<u><u>\$ 372,000</u></u>				

Shihlin Paper Co., Ltd.  
Statement of Short-term Notes and Bills Payable  
December 31, 2021

Statement 8

Unit: NTD thousand

Guarantee/Acceptance institution	Contract period	Interest rate range (%)	Amount		
			Issue price	Unamortized discount	Book value
Mega International					
Commercial Bank	2021/10/13~2022/01/11	0.798%	\$ 150,000	\$ 33	\$ 149,967
International Bills	2021/12/10~2022/01/11	0.968%	80,000	21	79,979
Finance Corporation					
Dah Chung Bills					
Finance Corp.	2021/12/10~2022/01/11	0.968%	90,000	24	89,976
China Bills Finance Corporation					
	2021/09/30~2022/01/12	0.980%	100,000	30	99,970
Ta Ching Bills Finance Corporation.					
	2021/10/13~2022/01/11	1.000%	100,000	27	99,973
Taiwan Finance Corporation					
	2021/10/13~2022/01/11	0.998%	100,000	27	99,973
			<u>\$ 620,000</u>	<u>\$ 162</u>	<u>\$ 619,838</u>

Shihlin Paper Co.,Ltd.  
Statement of Accounts Payable  
December 31, 2021

Statement 9

Unit: NTD thousand

<u>Customer Name</u>	<u>Amount</u>
Nan Liu Enterprise Co., Ltd.	\$ 10,094
Others (each amount is less than NT\$515 thousand)	<u>209</u>
Total	<u><u>\$ 10,303</u></u>

Shihlin Paper Co., Ltd.  
Statement of Other Payables  
December 31, 2021

Statement 10

Unit: NTD thousand

Item	Summary	Amount
Salary payable	Year-end bonus, payment in lieu of special leave, etc.	\$ 3,506
Advertising expenses payable	Advertising expenses, etc.	3,405
Tax payable	House tax, business tax, etc.	1,561
Labor and health insurance payable	Labor and health insurance expenses, etc.	944
Equipment payables		740
Labor service payable	Certification expense, etc.	578
Others (each amount is less than NT\$571 thousand)	Interest on bank loans, etc.	<u>686</u>
Total		<u><u>\$ 11,420</u></u>

Shihlin Paper Co., Ltd.  
Statement of Operating Revenue  
2021

Statement 11

Unit: NTD thousand

Item	Unit	Quantity	Amount
Wet wipes	Carton	130,933	\$ 50,973
Anti-epidemic products	Box/bottle	63,423	7,832
Facial masks	Pieces	345,138	6,487
Toiletry collection	Bottles	52,742	3,450
Anti-mosquito collection	Bottle/set	6,843	1,549
Skin care products	Bottles	1,803	175
Necessities	Set	1,456	386
Others			<u>430</u>
Total			71,282
Sales returns and discounts			<u>(1,589)</u>
Net income from sales of goods			69,693
Rental income			46,747
Income from labor services			3,887
Other operating revenue			<u>30</u>
Net operating revenue			<u><u>\$ 120,357</u></u>

Shihlin Paper Co., Ltd.  
Statement of Operating Costs

2021

Statement 12

Unit: NTD thousand

Item	Amount	
	Subtotal	Total
Raw material consumption cost:		
Raw material consumption		\$ 469
Inventory, at the beginning of the year	\$ 495	
Add: Purchase of raw materials	1,400	
Less: Other material requisition	(17)	
Transferred to merchandise	(746)	
Loss on inventory	(38)	
Inventory, at the end of year	(625)	
Subtotal		469
Cost of purchased goods sold		61,937
Goods, at the beginning of the year	11,995	
Add: Purchase of goods	51, 507	
Raw materials transferred in	746	
Less: Goods, at the end of year	(259)	
Transferred to others:	(1, 19)	
Inventory scrap	(133)	
Subtotal		62,406
Add: Loss on inventory		38
Inventory scrap		133
Cost of sales		62,577
Cost of rental sales		11,580
Total		<u>\$ 74,157</u>

Shihlin Paper Co., Ltd.  
Statement of Operating Expenses  
2021

Statement 13

Unit: NTD thousand

Item	Selling expenses	Administrative expenses	R&D expenses	Total
Salary	\$ 20,731	\$ 35,874	\$ 3,560	\$ 60,165
Freight expense	2,681	12	3	2,696
Advertising expense	13,609	152	11	13,772
Insurance expense	2,391	2,333	413	5,137
Inspection and testing expense	-	72	297	369
Other expenses (Note)	<u>3,336</u>	<u>12,780</u>	<u>582</u>	<u>16,698</u>
Total	<u>\$ 42,748</u>	<u>\$ 51,223</u>	<u>\$ 4,866</u>	<u>\$ 98,837</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 expense by Function  
For the Years Ended December 31, 2021 and 2020

Statement 14

Unit: NTD thousand

	2021			2020		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expense	\$ -	\$ 57,895	\$ 57,895	\$ -	\$ 43,007	\$ 43,007
Labor and health insurance expenses	-	4,784	4,784	-	4,627	4,627
Pension expense	-	2,310	2,310	-	2,383	2,383
Remuneration to directors	-	840	840	-	744	744
Other employee benefit expenses	-	1,830	1,830	-	1,637	1,637
Depreciation expense	6,612	1,259	7,871	6,956	1,415	8,371
Amortization expense	-	1,387	1,387	-	1,316	1,316

Note:

1. The number of employees for this year and the previous year are 70 and 75, respectively. Among them, the number of directors who do not serve as employees concurrently are 6 and 7, 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\$1,044 thousand, and that for the previous year was NT\$760 thousand.
  - (2) The average employee salary expense for the current year is NT\$905 thousand, and that for the previous year was NT\$632 thousand.
  - (3) The changes in the average employee salary expense adjustment increased by 43.20%.
  - (4) The Company does not have any supervisor.
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.