

Shihlin Paper Co., Ltd.

Parent Company Only Financial Statements

For the Years Ended December 31, 2022 and 2021

(CPAs' Audit Report is Enclosed)

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.

Shihlin Paper Co., Ltd. and its Subsidiaries

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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 parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity, cash flows for January 1 to December 31, 2022 and 2021, and the notes to parent company only financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for January 1 to December 31, 2022 and 2021 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 Regulation Governing Auditing and Certification of Financial Statements by Certified Public Accountants and the auditing standards of R.O.C. Our responsibilities under those standards are further described in the CPAs' Responsibilities for the Audit of the Parent Company Only Financial Statements 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 parent company only financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the parent company only financial statements. In forming our opinion, we do not provide a separate opinion on these matters. The Key audit matters identified in the audit of the Company's parent company only financial statements as of and for the year ended December 31, 2022 is as follows:

Tangible Asset Impairment Assessment

For the accounting policy for tangible asset impairment, please refer to Note (IV) 12 of the parent company only financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (V) of the parent company only 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 parent company only 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 parent company only 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.

The governance bodies, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, either due to fraud or error, and to issue an auditors' report. Reasonable assurance is a high level of assurance. Still, it is not a guarantee that an audit conducted in accordance with the auditing standards of R.O.C. will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If the misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken based on these financial statements, they are considered material.

As part of an audit in accordance with the auditing standards of R.O.C., we exercise professional judgment and professional skepticism throughout the audit. We also perform the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, either due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from the error. 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 to express an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted 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 from the users of the parent company only financial statements in our auditors' report to the relevant disclosures in the parent company only 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 parent company only financial statements, including the relevant notes, and whether the parent company only 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 parent company only 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 the governance bodies, 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 the governance bodies 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 the governance bodies, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2022 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 13, 2023

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Asset		Note	December 31, 2022		December 31, 2021		Liabilities and Equity			December 31, 2022		December 31, 2021	
Code	Accounting Items		Amount	%	Amount	%	Code	Accounting Items	Note	Amount	%	Amount	%
Current assets						Current liabilities							
1100	Cash and cash equivalents	(IV) and (VI)	\$ 50,688	0.82	\$ 9,584	0.10	2100	Short-term borrowings	(VI)	\$ 921,000	14.98	\$ 372,000	3.91
1120	Financial Assets at FVTOCI	(IV) and (VI)	3,058,871	49.74	6,565,620	69.03	2110	Short-term bills payable	(VI)	-	-	619,838	6.52
1170	Net accounts receivable	(IV), (VI), and (VII)	55,000	0.89	48,571	0.51	2130	Contract liability	(IV)	-	-	9	0.00
1200	Other receivables	(IV) and (VII)	8,473	0.14	1,021	0.01	2170	Accounts payable	(VII)	10,708	0.17	10,303	0.11
1300	Net balance of inventory	(IV) and (VI)	960	0.02	884	0.01	2200	Other payables	(VII)	13,442	0.22	11,420	0.12
1410	Prepayments	(VII)	4,211	0.07	2,192	0.02	2300	Other current liabilities		187	0.00	271	0.00
1470	Other current assets		98	0.00	68	0.00	21XX	Total current liabilities		945,337	15.37	1,013,841	10.66
11X X	Total current assets		3,178,301	51.68	6,627,940	69.68	Non-current liabilities						
							2570	Deferred tax liabilities		29,405	0.48	29,405	0.31
							2645	Guarantee deposits received		11,378	0.18	10,983	0.11
							25XX	Total non-current liabilities		40,783	0.66	40,388	0.42
							2XXX	Total liabilities		986,120	16.03	1,054,229	11.08
Non-current assets						Equity							
1517	Financial Assets at FVTOCI	(IV) and (VI)	7,439	0.12	5,116	0.06	Share capital						
1551	Investment under equity method	(IV) and (VI)	2,805,432	45.61	2,715,221	28.55	3100	Share capital	(VI)				
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	35,351	0.58	36,249	0.38	3110	Share capital of ordinary shares		2,600,391	42.28	2,600,391	27.34
1760	Investment Property	(IV), (VI), and (VIII)	116,747	1.90	118,834	1.25	Retained earnings						
1780	Intangible asset	(IV) and (VI)	5,952	0.10	7,196	0.08	3320	Special reserve	(VI)	1,532,258	24.92	1,532,258	16.11
1920	Refundable deposits		289	0.00	348	0.00	3350	Deficit to be offset		(1,480,765)	(24.08)	(1,692,848)	(17.79)
1975	Net defined benefit assets	(IV) and (VI)	783	0.01	442	0.00	3300	Total retained earnings		51,493	0.84	(160,590)	(1.68)
15X X	Total non-current assets		2,971,993	48.32	2,883,406	30.32	3400	Other equity interest		2,512,290	40.85	6,017,316	63.26
							3XX X	Total equity		5,164,174	83.97	8,457,117	88.92
	Total assets		\$ 6,150,294	100.00	\$ 9,511,346	100.00	Total liabilities and equity			\$ 6,150,294	100.00	\$ 9,511,346	100.00

The accompanying notes are an integral part of the parent company only financial statements.

Shihlin Paper Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 132,098	100.00	\$ 120,357	100.00
5000	Operating costs	(VI) and (VII)	69,848	52.88	74,157	61.62
5900	Gross profit		62,250	47.12	46,200	38.38
5910	Less: unrealized sales profits		-	-	2,085	1.73
5920	Add: realized sales profits		977	0.74	-	-
5950	Net operating profit		63,227	47.86	44,115	36.65
	Operating expenses					
6100	Selling expenses	(VII)	39,623	29.99	42,748	35.52
6200	Administrative expenses	(VII)	35,816	27.11	51,223	42.56
6300	R&D expenses	(VII)	3,525	2.67	4,866	4.04
6000	Total operating expenses		78,964	59.77	98,837	82.12
6900	Operating losses		(15,737)	(11.91)	(54,722)	(45.47)
	Non-operating income and expense					
7010	Other income	(VI) and (VII)	347,884	263.35	128,658	106.90
7020	Other gains and losses	(VI)	(185)	(0.14)	49	0.04
7050	Financial costs	(VI)	(10,850)	(8.21)	(10,008)	(8.31)
7070	share of profit or loss of subsidiaries Accounted for using the equity method	(IV)	(109,332)	(82.77)	20,272	16.84
7000	Total non-operating revenue and expenses		227,517	172.23	138,971	115.47
7900	Net income before tax		211,780	160.32	84,249	70.00
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net income for the current period		211,780	160.32	84,249	70.00
	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)	303	0.23	144	0.12
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	(3,505,026)	(2,653.35)	4,960,039	4,121.10
8300	Total other comprehensive income (net of tax) for the current period		(3,504,723)	(2,653.12)	4,960,183	4,121.22
8500	Total comprehensive income (loss) for the current period for the current period		\$ (3,292,943)	(2,492.80)	\$ 5,044,432	4,191.22
	Earnings per share					
9750	Basic earnings per share	(VI)	\$ 0.81		\$ 0.32	

The accompanying notes are an integral part of the parent company only financial statements.

Shihlin Paper Co., Ltd.
Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Item	Share Capital		Retained Earnings			Other Items of Equity	Total Equity
	Shares (thousand)	Amount	Special reserve	Deficit to be offset	Total retained earnings	Unrealized Gain (Loss) on Financial Assets at FVTOCI	
Balance as of January 1, 2021	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 as of December 31, 2021	260,039	2,600,391	1,532,258	(1,692,848)	(160,590)	6,017,316	8,457,117
Net profit for 2022	-	-	-	211,780	211,780	-	211,780
Other comprehensive income for 2022	-	-	-	303	303	(3,505,026)	(3,504,723)
Total comprehensive income for 2022	-	-	-	212,083	212,083	(3,505,026)	(3,292,943)
Balance as of December 31, 2022	260,039	\$ 2,600,391	\$ 1,532,258	\$ (1,480,765)	\$ 51,493	\$ 2,512,290	\$ 5,164,174

The accompanying notes are an integral part of the parent company only financial statements.

Shihlin Paper Co.,Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Net income before tax for the current period	\$ 211,780	\$ 84,249
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	7,426	7,871
Amortization expense	1,459	1,387
Interest expense	10,850	10,008
Interest income	(222)	(5,787)
Dividend income	(347,383)	(31,363)
Share of loss (profit) of subsidiaries accounted for using the equity method	109,332	(20,272)
Net gain on disposal of property, plant and equipment	-	(273)
Unrealized sales profits	-	2,085
Realized sales profits	(977)	-
Changes in operating assets and liabilities:		
Decrease in notes receivable	-	529
Increase in accounts receivable	(6,429)	(3,955)
Increase in other receivables	(7,452)	(614)
Decrease (increase) in inventories	(76)	11,606
Decrease (increase) in prepayments	(2,019)	851
Decrease (increase) in other current assets	(30)	10
Increase in net defined benefit assets	(38)	(35)
Decrease in contract liability	(9)	(40)
Increase in accounts payable	405	3,585
Increase in other payables	1,679	1,077
Decrease in other current liabilities	(84)	(93)
Cash inflow (outflow) from operating activities	(21,788)	60,826
Interest received	222	5,787
Dividends received	348,817	31,363
Net cash inflow from operating activities	327,251	97,976
Cash flows from investing activities:		
Acquisition of Financial Assets at FVTOCI	(600)	(12)
Acquisition of investments under equity method	(200,000)	-
Acquisition of property, plant and equipment	(787)	(2,630)
Proceeds from disposal of property, plant and equipment	-	479
Acquisition of investment property	(3,728)	(460)

(Continued on the next page)

Shihlin Paper Co., Ltd.
 Statements of Cash Flows
 For the Years Ended December 31, 2022 and 2021
 (Expressed in Thousands of New Taiwan Dollars)

	Unit: NTD thousand	
(Continued from the previous page)	2022	2021
Acquisition of intangible assets	\$ (215)	\$ (185)
Decrease in refundable deposits	59	57
Net cash used in investing activities	(205,271)	(2,751)
Cash flows from financing activities:		
Short-term borrowings	4,153,000	2,102,000
Repayment of short-term loans	(3,604,000)	(2,430,000)
Borrowing of short-term bills payable	1,474,000	2,620,000
Repayment of short-term bills payable	(2,094,000)	(2,377,000)
Increase in guarantee deposit received	395	-
Interest paid	(10,271)	(10,090)
Net cash outflow from financing activities	(80,876)	(95,090)
Increase in cash and cash equivalents for the current period	41,104	135
Cash and cash equivalents at the beginning of the year	9,584	9,449
Cash and cash equivalents at year-end	\$ 50,688	\$ 9,584

The accompanying notes are an integral part of the parent company only 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, skincare products, and toiletries, as well as leasing of assets.

(II) The Authorization of Financial Statements

The parent company only financial statements were approved by the Company’s Board of Directors on March 13, 2023.

(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 2023 and endorsed by the FSC

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
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 parent company only 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
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
IFRS17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 - Comparative Information”	January 1, 2023
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

As of the date of adoption of the parent company only 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 parent company only 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 parent company only 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 parent company only 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 parent company only financial statements, transactions in currencies other than the Company's functional currency (i.e., foreign currencies) are converted into 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 the 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 parent company only balance sheets when the Company becomes a party to the financial instrument contract.

Financial assets and financial liabilities not at FVTPL 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 FVTPL 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 sale of financial assets delivered within the period set by regulations or market practices.

(1) Measurement types

Financial assets held by the Company are classified as financial assets at amortized cost and investments in equity instruments at FVTOCI.

① Financial assets at amortized cost

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

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

After initial recognition, such assets are measured at 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 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 equity instruments at FVTOCI are 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 at FVTOCI is recognized in other comprehensive income, and its carrying amount is not reduced.

(3) Derecognition of financial assets

The Company derecognizes the financial assets only when the contractual rights to the cash flows from the financial assets expire, or when it transfers the

financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity.

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 investments in equity instruments at FVTOCI in its entirety, the cumulative profit or loss is transferred directly to retained earnings. It is not reclassified as 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, sale, 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 at amortized cost by the effective interest method or at FVTPL.

Financial liabilities at FVTPL are 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 parent company only financial statements. The profit or loss arising from the upstream and lateral transactions between the Company and its subsidiaries is recognized in the parent company only 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 in 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 remeasurement amount) is 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 remeasurement 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 reclassified as 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 have not been completed are recognized in contract liabilities.

(2) Income from labor services

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

17. Income tax

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

(1) Tax currently payable

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

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

(2) Deferred tax

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

Taxable temporary differences related to investment in subsidiaries and

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

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

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

(3) Current and deferred income tax

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

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

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

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

the accounting estimate's adjustment affects both the current period and future periods, it is recognized in the current period and future periods.

Tangible Asset Impairment Assessment

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

(VI) Summary of Significant Accounting Items

1. Cash and cash equivalents

Item	2022.12.31	2021.12.31
Cash on hand	\$ 90	\$ 90
Check and demand (current) deposit	50,598	9,494
Total	\$ 50,688	\$ 9,584

2. Financial assets at FVTOCI

Item	2022.12.31	2021.12.31
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 3,058,871	\$ 6,565,620
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	7,439	5,116
Total	\$ 3,066,310	\$ 6,570,736

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

3. Net accounts receivable

Item	2022.12.31	2021.12.31
Trade receivable	\$ 55,000	\$ 48,571
Total	\$ 55,000	\$ 48,571

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.

Aging analysis of trade receivable

	2022.12.31		2021.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 55,000	\$ -	\$ 48,571	\$ -
Past Due	-	-	-	-
	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 48,571</u>	<u>\$ -</u>

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

4. Inventories

Item	2022.12.31	2021.12.31
Merchandise	\$ 6	\$ 259
Raw materials	954	625
Net balance of inventory	<u>\$ 960</u>	<u>\$ 884</u>

The operating costs in relation to inventories in 2022 and 2021 were NT\$59,311 thousands and NT\$62,577 thousands, 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\$393 thousands and NT\$3,529 thousands in 2022 and 2021, respectively, which was debited into the operating cost of the current period.

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

5. Investment under equity method

Investee	2022.12.31		2021.12.31	
	Shares Ratio	Amount	Shares Ratio	Amount
Shihlin Environment Corporation	100.00%	\$ 123,492	100.00%	\$ 25,001
Sunshine Shihlin Development Co., Ltd.	100.00%	2,599,598	100.00%	2,682,035
Sunnyfield Shihlin Co., Ltd.	100.00%	82,342	100.00%	8,185
Total		<u>\$ 2,805,432</u>		<u>\$ 2,715,221</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	2022.12.31	2021.12.31
Land	\$ 26,172	\$ 26,172
Buildings	4,131	3,811
Equipment	3,024	3,450
Transport equipment	1,337	1,685
Other equipment	687	1,131
Total net amount	<u>\$ 35,351</u>	<u>\$ 36,249</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 2022.1.1	\$ 26,172	\$ 7,647	\$ 17,554	\$ 4,682	\$ 6,738	\$ 62,793
Additions	-	631	-	-	82	713
Balance as of 2022.12.31	<u>\$ 26,172</u>	<u>\$ 8,278</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 6,820</u>	<u>\$ 63,506</u>
Accumulated Depreciation and Impairment						
Balance as of 2022.1.1	\$ -	\$ 3,836	\$ 14,104	\$ 2,997	\$ 5,607	\$ 26,544
Depreciation expense	-	311	426	348	526	1,611
Balance as of 2022.12.31	<u>\$ -</u>	<u>\$ 4,147</u>	<u>\$ 14,530</u>	<u>\$ 3,345</u>	<u>\$ 6,133</u>	<u>\$ 28,155</u>
Net amount as of 2022.12.31	<u>\$ 26,172</u>	<u>\$ 4,131</u>	<u>\$ 3,024</u>	<u>\$ 1,337</u>	<u>\$ 687</u>	<u>\$ 35,351</u>

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	<u>\$ 26,172</u>	<u>\$ 7,647</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 6,738</u>	<u>\$ 62,793</u>
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	<u>\$ -</u>	<u>\$ 3,836</u>	<u>\$ 14,104</u>	<u>\$ 2,997</u>	<u>\$ 5,607</u>	<u>\$ 26,544</u>
Net amount as of 2021.12.31	<u>\$ 26,172</u>	<u>\$ 3,811</u>	<u>\$ 3,450</u>	<u>\$ 1,685</u>	<u>\$ 1,131</u>	<u>\$ 36,249</u>

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

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

As of the balance sheet date above, for the property, plant and equipment the Company had provided as a guarantee for short-term borrowings, please refer to Note (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 thousands. 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	2022.12.31	2021.12.31
Land	\$ 81,189	\$ 81,189
Building	30,021	35,836
Investment property under construction	5,537	1,809
Total net amount	\$ 116,747	\$ 118,834

Cost	Land	Building	Investment Property Under Construction	Total
Balance as of 2022.1.1	\$ 81,189	\$ 449,268	\$ 1,809	\$ 532,266
Additions	-	-	3,728	3,728
Balance as of 2022.12.31	\$ 81,189	\$ 449,268	\$ 5,537	\$ 535,994
Accumulated Depreciation and Impairment				
Balance as of 2022.1.1	\$ -	\$ 413,432	\$ -	\$ 413,432
Depreciation expense	-	5,815	-	5,815
Balance as of 2022.12.31	\$ -	\$ 419,247	\$ -	\$ 419,247
Net amount as of 2022.12.31	\$ 81,189	\$ 30,021	\$ 5,537	\$ 116,747

<u>Cost</u>	<u>Land</u>	<u>Building</u>	<u>Investment Property Under Construction</u>	<u>Total</u>
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>
<u>Accumulated Depreciation and Impairment</u>				
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>

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, 2022 and 2021 was NT\$3,626,717 thousands and NT\$1,522,957 thousands, respectively. The fair value was appraised by an independent appraiser and was measured by the management using the third-level inputs and evaluated via the comparative method.

8. Intangible asset

<u>Item</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Computer software	<u>\$ 5,952</u>	<u>\$ 7,196</u>
<u>Cost</u>		
Balance as of 2022.1.1		\$ 13,838
Additions		215
Balance as of 2022.12.31		<u>\$ 14,053</u>
<u>Accumulated Amortization</u>		
Balance as of 2022.1.1		\$ 6,642
Amortization expense		1,459
Balance as of 2022.12.31		<u>\$ 8,101</u>
Net amount as of 2022.12.31		<u>\$ 5,952</u>

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

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>2022.12.31</u>	<u>2021.12.31</u>
Bank of Taiwan	Secured borrowings	\$ 550,000	\$ 202,000
Jihsun Bank	Credit loans	150,000	150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	71,000	20,000
Mega International Commercial Bank	Secured borrowings	118,000	-
Mega International Commercial Bank	Credit loans	32,000	-
Total		<u>\$ 921,000</u>	<u>\$ 372,000</u>
	Interest rate per annum	1.583%~2.025%	0.98%~1.03%

10.Short-term bills payable

<u>Item</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Short-term bills payable - face value	\$ -	\$ 620,000
Less: discounts	-	(162)
Short-term bills payable - net	<u>\$ -</u>	<u>\$ 619,838</u>
	Interest rate per annum	- 0.798%~1%

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:

	2022.12.31	2021.12.31
Present value of the defined benefit obligations	\$ 1,968	\$ 2,064
Fair value of plan assets	(2,751)	(2,506)
Net defined benefit liabilities (assets)	\$ (783)	\$ (442)

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

	2022	2021
Present value of the defined benefit obligations at the beginning of the year	\$ 2,064	\$ 2,166
Service cost	-	-
Interest expense	15	7
Remeasurement		
Actuarial losses - experience adjustments	54	2
Actuarial losses - changes in financial assumptions	-	1
Actuarial gains (losses) - changes in financial assumptions	(165)	(112)
Present value of the defined benefit obligations at year-end	\$ 1,968	\$ 2,064

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets, at the beginning of the year	\$ 2,506	\$ 2,429
Interest income	18	8
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	192	35
Employer's contribution	35	34
Fair value of plan assets at year-end	<u>\$ 2,751</u>	<u>\$ 2,506</u>

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

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

	<u>2022</u>	<u>2021</u>
Service cost	\$ -	\$ -
Net interest	(3)	(1)
Total	<u>\$ (3)</u>	<u>\$ (1)</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	
	2022.12.31	2021.12.31
Discount rate	1.40%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the Defined Benefit Obligations	
	2022.12.31	2021.12.31
Discount rate		
Increase by 0.25%	(3.01%)	(3.24%)
Decrease by 0.25%	3.13%	3.37%
Expected increase rate of salaries		
Increase by 0.25%	3.13%	3.35%
Decrease by 0.25%	(3.03%)	(3.24%)

The Company expects to contribute NT\$34 thousands to the defined benefit plan within one year after December 31, 2022.

The average maturity period of the definite benefit obligations as of December 31, 2022 and 2021 was 12 and 13 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	2022.12.31	2021.12.31
2022	\$ -	\$ 51
2023	54	51
2024	53	50
2025	52	49
2026	51	48
2027 onward	2,136	2,032
	<u>\$ 2,346</u>	<u>\$ 2,281</u>

12. Equity

(1) Share capital of ordinary shares

	2022.12.31	2021.12.31
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 the 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>2022</u>	<u>2021</u>
Beginning retained earnings	\$ 1,532,258	\$ 1,534,420
Reversal of special reserve due to the elimination of the original reason for provision:		
Sale of land by subsidiaries	<u>-</u>	<u>(2,162)</u>
Ending balance	<u>\$ 1,532,258</u>	<u>\$ 1,532,258</u>

13. Operating revenue

	<u>2022</u>	<u>2021</u>
Income from sales of goods	\$ 62,862	\$ 69,693
Rental income	48,869	46,747
Income from labor services	19,508	3,887
Other income	<u>859</u>	<u>30</u>
Total	<u>\$ 132,098</u>	<u>\$ 120,357</u>

14. Other income

	<u>2022</u>	<u>2021</u>
Interest income	\$ 222	\$ 5,787
Dividend income	347,383	31,363
Other income	<u>279</u>	<u>91,508</u>
Total	<u>\$ 347,884</u>	<u>\$ 128,658</u>

15. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net exchange gain	\$ 56	\$ 71
Net gain on disposal of property, plant and equipment	-	273
Other comprehensive income, net	<u>(241)</u>	<u>(295)</u>
	<u>\$ (185)</u>	<u>\$ 49</u>

16. Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank borrowings	\$ 7,786	\$ 4,272
Commercial paper	2,975	5,683
Imputed interest on deposit	<u>89</u>	<u>53</u>
Total	<u>\$ 10,850</u>	<u>\$ 10,008</u>

17. Additional information on the nature of expenses

Net income includes the following items:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 1,611	\$ 1,259
Depreciation of investment property	5,815	6,612
Amortization of intangible assets	<u>1,459</u>	<u>1,387</u>
Total	<u>\$ 8,885</u>	<u>\$ 9,258</u>

	<u>2022</u>	<u>2021</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 4,722	\$ 4,968
Direct operating expenses of investment property that does not generate rental income	-	-
Total	<u>\$ 4,722</u>	<u>\$ 4,968</u>
R&D expenditures expensed when incurred	<u>\$ 3,525</u>	<u>\$ 4,866</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expense		
Post-employment benefits (Note (VI).11)		
Defined contribution plans	\$ 2,350	\$ 2,311
Defined benefit plan	(3)	(1)
Salaries and bonuses	42,050	57,895
Labor and health insurance expenses	4,840	4,784
Remuneration to directors	792	840
Other employee benefit expenses	<u>2,153</u>	<u>1,830</u>
Total	<u>\$ 52,182</u>	<u>\$ 67,659</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, 2022 and 2021, the Company had no earnings available for distribution, so it did not distribute employee compensation. Disclosure of employee compensation and other information is not applicable to the Company.

18. Income tax

(1) Income tax recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Net income before tax	\$ <u>211,780</u>	\$ <u>84,249</u>
Income tax expense at the statutory tax rate (20%) for net income before tax	\$ 42,356	\$ 16,850
Tax effects of adjustments:		
Income from tax cessation and exemption	(69,477)	(6,273)
Effects of non-deductible expenses when determining taxable income	119	47
Generation and reversal of temporary differences	21,143	(4,515)
Loss carryforwards generated (deducted) in the period	<u>5,859</u>	<u>(6,109)</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

As of December 31, 2022, the Company's losses not yet carried forward and deadlines are as follows:

	Balance	Last Year for Deduction
\$	117,355 (Assessed)	2023
	140,524 (Assessed)	2024
	294,658 (Assessed)	2025
	50,213 (Assessed)	2026
	53,214 (Assessed)	2027
	(Not yet 13,959 assessed)	2028
	33,510 (Assessed)	2029
	(Not yet 13,337 assessed)	2030
	<u>\$ 716,770</u>	

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

	2022.12.31	2021.12.31
Loss carryforwards	\$ 679,434	\$ 792,987
Deductible temporary difference	<u>11,653</u>	<u>12,882</u>
Total	<u>\$ 691,087</u>	<u>\$ 805,869</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

	2022	2021
Basic earnings per share	<u>\$ 0.81</u>	<u>\$ 0.32</u>

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

	<u>2022</u>	<u>2021</u>
Net profit attributed to the owners of the Company (NT\$ thousand)	\$ 211,780	\$ 84,249
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

	<u>2022</u>	<u>2021</u>
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 713	\$ 3,335
Increase (decrease) in other payables	<u>74</u>	<u>(705)</u>
Pay cash	<u>\$ 787</u>	<u>\$ 2,630</u>

21. Material lease arrangements

As of December 31, 2022 and 2021, the total amount in lease payments that the Company will receive in the future for the lease of investment property under operating leases is as follows:

<u>Summary</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Less than 1 year	\$ 47,444	\$ 46,858
1-2 years	47,460	42,949
2-3 years	47,854	43,468
3-4 years	46,933	43,948
4-5 years	31,173	43,029
Over 5 years	<u>311,255</u>	<u>338,524</u>
Total	<u>\$ 532,119</u>	<u>\$ 558,776</u>

22. Capital management

The Company manages its capital to ensure that the Company will be able to continue as a going concern 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

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

② Financial instruments at fair value

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

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

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

	2022.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Stocks	\$ 3,058,871	\$ -	\$ 7,439	\$ 3,066,310
	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Stocks	\$ 6,565,620	\$ -	\$ 5,116	\$ 6,570,736

There were no transfers between Levels 1 and 2 in 2022 and 2021.

The Company did not acquire or dispose of financial assets at Level 3 fair value in both 2022 and 2021.

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

The fair value of unlisted equity investment is evaluated by the market approach. The market approach refers to the transaction price and relevant

information of the identical underlying target in the market to estimate the underlying investment target's fair value. The significant unobservable input is a discount based on market liquidity.

(2) Categories of financial instruments

Financial Asset	2022.12.31	2021.12.31
Financial assets at FVTOCI	\$ 3,066,310	\$ 6,570,736
Financial assets at amortized cost (Note)	114,450	59,524
Total	<u>\$ 3,180,760</u>	<u>\$ 6,630,260</u>

Financial Liability	2022.12.31	2021.12.31
At amortized cost		
Short-term borrowings	\$ 921,000	\$ 372,000
Short-term bills payable	-	619,838
Accounts payable	10,708	10,303
Other payables and other current liabilities	13,610	11,581
Guarantee deposits received	11,378	10,983
Total	<u>\$ 956,696</u>	<u>\$ 1,024,705</u>

Note: Including cash and cash equivalents, accounts receivable, other receivables and refundable deposits.

(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.

①Interest rate risk

The Company's interest rate risk arises from short-term borrowings with floating interest rates. The Company maintains an appropriate fixed and floating rate for portfolio and also negotiates interest rate with correspondent banks irregularly in order to manage interest rate risk. Accordingly, no derivative financial instruments are used to manage the interest rate risk.

The sensitivity analysis of interest rate risk is based on the assumption that the amount of liabilities outstanding at the balance sheet date is outstanding throughout the period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Company's net loss for 2022 and 2021 will increase/decrease by NT\$2,303 thousands and NT\$2,480 thousands, respectively.

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 2022 and 2021 will increase/decrease by NT\$153,316 thousands and NT\$328,537 thousands due to changes in the fair value of financial assets at FVTOCI.

(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 of 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 parent company only 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, 2022 and 2021, the top two main customers accounted for 90.31% and 91.18% of the Company's balance of accounts 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, 2022 and 2021, the Company's undrawn financing facilities of bank loans and bills companies were NT\$969,000 thousands and NT\$1,148,000 thousands, 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, 2022				
	Less than 30 days	31–60 days	61–90 days	Over 90 days	Total
Non-derivative financial liabilities					
Short-term borrowings	\$ -	\$ 173,000	\$ 48,000	\$ 700,000	\$ 921,000
Accounts payable	7,416	2,984	-	308	10,708
Other payables	7,033	3,538	-	2,871	13,442
Other current liabilities	-	168	-	-	168
Guarantee deposits received	-	-	-	11,378	11,378
	<u>\$ 14,449</u>	<u>\$ 179,690</u>	<u>\$ 48,000</u>	<u>\$ 714,557</u>	<u>\$ 956,696</u>

	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 deposits 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>

(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
Shihlin Environment Corporation	Subsidiary
Sunnyfield Shihlin Co., Ltd.	Subsidiary
Taian Insurance Co, Ltd.	Substantive related party
Asia Pacific Logistics International Co., 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
Zhi Yi Investment Co., Ltd.	Substantive related party
AP Tour Co., Ltd.	Substantive related party
Taiwan Evervaliant Corp.	Substantive related party

2. Business transaction

		2022				
		Operating Revenue	Purchase	Selling Expenses	Administrative Expenses	R&d Expenses
Sunnyfield Shihlin	\$	83,248	\$ 131	\$ 12,158	\$ -	\$ -
Other related parties		-	-	144	290	2
		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
		2022.12.31				
		Trade Receivable	Other Receivables	Prepayments	Accounts Payable	Other Payables
Sunnyfield Shihlin	\$	16,570	\$ 7	\$ -	\$ 2	\$ 3,845
Sunshine Shihlin		-	6,667	-	-	-
Other related parties		-	-	39	-	-
		2021.12.31				
		Trade Receivable	Prepayments	Other Payables		
Sunnyfield Shihlin	\$	11,944	\$ -	\$ -	4,067	
Other related parties		-	38	-	-	

3. Financing status

		2022				
		Maximum Amount	Ending Balance	Amount in Provision of Allowance for Bad debt	Interest Rate	Total Interest Income for the Current Period
Sunshine Shihlin	\$	13,000	\$ -	\$ -	1.338%	\$ 7
Shihlin Environment		37,170	-	-	1.25%~1.50%	177

4. Property transaction

(1) Acquisition of Property, Plant and Equipment

	Financial Statement Account	Price of Acquisition	
		2022	2021
Subsidiary	Equipment	\$ <u> </u> -	\$ <u> </u> 705

(2) Disposal of property, plant and equipment

	Transaction Subject Matter	2021		
		Selling Price	Book Value	Gain or Loss on Sale
Subsidiary	Other equipment	\$ <u> </u> 206	\$ <u> </u> 206	\$ <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.

5. The agricultural land is temporarily registered under the name of a related party, and its protection measures are detailed in Note (VI).6.
6. Remuneration to key management personnel

	2022		2021	
Short-term benefits	\$	2,633	\$	19,770
Post-employment benefits		101		101
	\$	<u> </u> 2,734	\$	<u> </u> 19,871

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:

	2022.12.31		2021.12.31
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	23,219		27,639
	<u>51,823</u>		<u>56,243</u>
Total	<u>\$ 54,826</u>	<u>\$</u>	<u>59,246</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2022 and 2021, the amount of guaranteed notes issued by the Company for bank borrowings was NT\$1,490,000 thousands for these two dates.
2. As of December 31, 2022 and 2021, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. for bank borrowings was NT\$800,000 thousands. The amount drawn was NT\$300,000 thousands and NT\$350,000 thousands, respectively.
3. As of December 31, 2022, for the outsourcing construction contracts signed by the Company, the contract total amount was NT\$25,847 thousands, among which the construction amount already paid was NT\$2,082 thousands.

(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 at year-end (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 to 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
2022

Table 1

Unit: NTD thousand

Serial NO.	Lender	Borrower	Business Relationship	Whether it is a Related Party	Maximum Balance for the Current Period	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	-	-	-	\$1,032,835	\$2,065,670
		Shihlin Environment Corporation	-	Yes	\$300,000	\$ 300,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$1,032,835	\$2,065,670

Note 1: The amount in financial to an individual borrower is limited to 20% of the net value of the parent company only financial statements of the most recent year due to that 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 parent company only financial statements.

Shihlin Paper Co., Ltd. and its Subsidiaries

Endorsement/ Guarantee Provided

2022

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 for the Current Period	Balance of Endorsements / Guarantees at Year-end	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	Relationship (Note 1)										
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	1	\$2,600,391 (Note 2)	\$800,000	\$800,000	\$300,000	-	15.49%	\$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	21.27%	\$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 1: 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 a subsidiary that the Company directly or indirectly holds at least 90% of its ordinary shares, so it is limited to not more than 1x of 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.
3. The total amount of endorsement and guarantee by the Company and its subsidiaries as a whole and the amount of endorsement and guarantee to a single enterprise shall not exceed 12 times the Company's paid-in capital.

Note 3: The calculation method of the amount to the 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 hold 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 at Year-End (Excluding Investment in Subsidiaries, Associates, and Joint Venture Equity)

December 31, 2022

Table 3

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	End of the year			
				Shares/Units	Carrying Amount	Shares Ratio	Fair Value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	Financial assets at FVTOCI - Current	37,887,724	3,034,807	1.35%	3,034,807
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - Current	114,445	1,442	0.00%	1,442
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - Current	270,437	7,166	0.00%	7,166
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - Current	99,240	1,091	0.00%	1,091
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - Current	184,466	7,379	0.00%	7,379
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - Current	68,146	1,186	0.01%	1,186
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - Current	400,000	5,800	0.03%	5,800
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - Non-Current	3,330	7,439	4.17%	7,439
Sunshine Shihlin Development Co., Ltd.	Shares of Tamshui First Credit Bank	-	Financial Assets at FVTOCI - Non-Current	20	2	0.00%	2
Shihlin Environment Corporation	Fuh Hwa Money Market	-	Financial Assets at FVTPL - Current	53,728.8	786	-	786

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)
2022

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 for the Current Period	Profit or Loss on Investment Recognized for the Current Period	Remarks
				End of the period	End of Last Year	Shares	Ratio	Carrying Amount			
Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Taipei City	Investment and development	115,075	15,075	11,500,000	100.00	123,492	(75)	(75)	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419	3,806,419 (Note 1)	200,100,000	100.00	2,599,598	(82,437)	(82,437)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	200,000	30,000,000	100.00	82,342	(26,919)	(26,820)	
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 thousands 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, 2022

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, 2022

Statement 1

Unit: NTD thousand,
unless stated otherwise

Item	Amount
Cash on hand	\$ 90
Cash in banks	
Check deposit	8
Demand deposit - NTD	50,283
Demand deposit - foreign currency (Note)	307
Total	\$ 50,688

Note: Foreign currency deposits were USD \$9 thousands and JPY \$46 thousands, translated at the exchange rate of US\$1=NT\$30.71 and JPY\$1=NT\$0.2324.

Shihlin Paper Co., Ltd.
Statement of Financial Assets at FVTOCI - Current
December 31, 2022

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.	37,887,724	10	378,877	516,412	80.10	\$ 3,034,807	None
China Development Financial Holding Corporation	114,445	10	1,144	1,144	12.60	1,442	None
First Financial Holding Co., Ltd.	270,437	10	2,704	11,975	26.50	7,166	None
Far Eastern International Bank Co., Ltd.	99,240	10	992	798	11.00	1,091	None
Cathay Financial Holdings Co., Ltd.	184,466	10	1,845	13,760	40.00	7,379	None
Chia Hsin Cement Corporation	68,146	10	681	1,156	17.40	1,186	None
China Bills Finance Corporation	400,000	10	4,000	4,649	14.50	5,800	None
Total			\$ 390,243	\$ 549,894		\$ 3,058,871	

Shihlin Paper Co., Ltd.
Statement of Trade Receivable
December 31, 2022

Statement 3

Unit: NTD thousand

Customer Name	Amount
Fengtien Logistics Co., Ltd.	\$ 33,097
Sunnyfield Shihlin Co., Ltd.	16,570
Yue Ye Motors Corporation	4,087
Others (each customer's amount is less than NT\$2,750 thousands)	1,246
Net accounts receivable	\$ 55,000

Shihlin Paper Co., Ltd.
Statement of Inventories
December 31, 2022

Statement 4

Unit: NTD thousand

Item	Amount	
	Cost	Net Realizable Value
Merchandise	\$ 36	\$ 6
Raw materials	1,009	954
Total	\$ 1,045	\$ 960

Shihlin Paper Co., Ltd.
Statement of Changes in Financial Assets at FVTOCI - Non-Current
December 31, 2022

Statement 5

Unit: NTD thousand

Name of Financial Instruments	Opening Balance		Increase for the Current Period		Decrease for the Current Period		Valuation Amount (Note)	End of the Year		Guarantee /Pledge
	Shares	Fair Value	Shares	Amount	Shares	Amount	Amount	Shares	Fair Value	
Taiwan Felt Co., Ltd.	3,330	\$ 5,116	-	\$ -	-	\$ -	\$ 2,323	3,330	\$ 7,439	None

Note: Unrealized gains (losses) from investments in equity instruments at FVTOCI are recognized.

Shihlin Paper Co., Ltd.
Statement of Changes in Investment under Equity Method
January 1 to December 31, 2022

Statement 6

Unit: NTD thousand, unless stated otherwise

Name	Beginning Retained Earnings		Increase for the Current Period		Decrease for the Current Period		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	Amount	Shares (thousands)	Shareholdings Ratio %	Amount	
Shihlin Environment Corporation	1,500	\$ 25,001	10,000	\$ 100,000	-	\$ (1,434)	\$ (75)	-	11,500	100%	123,492	-	\$ 123,492	None
Sunshine Shihlin Development	200,100	2,682,035	-	-	-	-	(82,437)	-	200,100	100%	2,599,598	-	2,599,598	None
Sunnyfield Shihlin	20,000	8,185	10,000	100,000	-	-	(26,820)	977	30,000	100%	82,342	-	83,465	None
		<u>\$2,715,221</u>		<u>\$ 200,000</u>		<u>\$ (1,433)</u>	<u>\$ (109,332)</u>	<u>977</u>			<u>\$2,805,432</u>		<u>\$2,806,555</u>	

Shihlin Paper Co., Ltd.
Statement of Short-term Borrowings
December 31, 2022

Statement 7

Unit: NTD thousand

Creditors	Type of Borrowings	Ending Balance	Contract Period	Interest Rate Range (%)	Financing Facilities	Pledge/ Guarantee
Bank of Taiwan Mega International Commercial Bank	Secured borrowings	\$ 550,000	2022/12/06~2023/06/02	1.80%	NT\$550,000 thousands	Land and factory in Yongan
Bank Mega International Commercial Bank	Secured borrowings	118,000	2022/12/07~2023/06/05	2.025%	NT\$118,000 thousands	Land and factory in Yongan
Bank International Commercial Bank	Credit loans	32,000	2022/12/07~2023/06/05	2.025%	NT\$32,000 thousands	
Jihsun Bank Chang Hwa Commercial Bank, Ltd.	Credit loans	150,000	2022/11/30~2023/02/24	1.583%	NT\$150,000 thousands	
	Credit loans	<u>71,000</u>	2022/11/25~2023/03/23	1.625%	NT\$100,000 thousands	
		<u><u>\$ 921,000</u></u>				

Shihlin Paper Co., Ltd.
Statement of Accounts Payable
December 31, 2022

Statement 8

Unit: NTD thousand

<u>Supplier Name</u>	<u>Amount</u>
Nan Liu Enterprise Co., Ltd.	\$ 8,998
Stellar Beauty Biotech Co., Ltd.	579
Others (each amount is less than NT\$535 thousands)	<u>1,131</u>
Total	<u>\$ 10,708</u>

Shihlin Paper Co., Ltd.
Statement of Other Payables
December 31, 2022

Statement 9

Unit: NTD thousand

Item	Summary	Amount
Salary payable	Year-end bonus, payment in lieu of special leave, etc.	\$ 4,221
Advertising expenses payable	Advertising expenses, etc.	3,844
Tax payable	House tax, business tax, etc.	1,786
Labor and health insurance payable	Labor and health insurance expenses, etc.	965
Others (each amount is less than NT\$672 thousands)	Interest on bank loans, etc.	2,626
Total		\$ 13,442

Shihlin Paper Co., Ltd.
Statement of Operating Revenue
2022

Statement 10

Unit: NTD thousand

Item	Unit	Quantity	Amount
Wet wipes	Carton	102,668	\$ 39,862
Anti-epidemic products	Box/Bottle	56,715	5,435
Facial masks	Pieces	682,193	12,258
Toiletry collection	Bottle/Set	61,060	1,257
Anti-mosquito collection	Bottle/Set	393	302
Skincare products	Bottles	134,409	3,163
Necessities	Box/Set	17,922	646
Others		8,971	255
Total			<u>63,178</u>
Sales returns and discounts			(316)
Net income from sales of goods			62,862
Rental income			48,869
Income from labor services			19,508
Other operating revenue			859
Net operating revenue			<u><u>\$ 132,098</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating Costs
2022

Statement 11

Unit: NTD thousand

Item	Amount	
	Subtotal	Total
Raw material consumption cost:		
Raw material consumption	\$	(159)
Inventory, at the beginning of the year	\$ 625	
Add: purchase of raw materials for the current period	2,274	
Less: other material requisition	(236)	
Transferred to merchandise	(1,868)	
Inventory at year-end	(954)	
Subtotal		(159)
Cost of purchased goods sold		59,463
Goods, at the beginning of the year	259	
Add: purchase of goods for the current period	58,423	
Raw materials transferred in	1,868	
Less: goods at year-end	(6)	
Transferred to others:	(1,074)	
Loss on inventory	(7)	
Subtotal		59,304
Add: loss on inventory		7
Cost of sales		59,311
Cost of rental sales		10,537
Total	\$	69,848

Shihlin Paper Co., Ltd.
Statement of Operating Expenses
2022

Statement 12

Unit: NTD thousand

Item	Selling Expenses	Administrative Expenses	R&D Expenses	Total
Salary	\$ 22,091	\$ 19,527	\$ 2,779	\$ 44,397
Advertising expense	12,354	28	-	12,382
Insurance expense	2,504	2,342	319	5,165
Other expenses (Note)	2,674	13,919	427	17,020
Total	<u>\$ 39,623</u>	<u>\$ 35,816</u>	<u>\$ 3,525</u>	<u>\$ 78,964</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 Current
Period

For the Years Ended December 31, 2022 and 2021

Statement 13

Unit: NTD thousand

	2022			2021		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salary expense	\$ -	\$ 42,050	\$ 42,050	\$ -	\$ 57,895	\$ 57,895
Labor and health insurance expenses	-	4,840	4,840	-	4,784	4,784
Pension expense	-	2,347	2,347	-	2,310	2,310
Remuneration to directors	-	792	792	-	840	840
Other employee benefit expenses	-	2,153	2,153	-	1,830	1,830
Depreciation expense	5,815	1,611	7,426	6,612	1,259	7,871
Amortization expense	-	1,459	1,459	-	1,387	1,387

Note:

- The number of employees for the current year and last year are 68 and 70 employees, respectively. Among them, the number of directors who do not serve as employees concurrently are 6 directors for both years.
- Companies whose stocks have been listed on the Taiwan Stock Exchange or Taipei Exchange shall disclose the additional information below:
 - The average employee benefits expense for the current year is NT\$829 thousands, and that for the previous year was NT\$1,044 thousands.
 - The average employee salary expense for the current year is NT\$678 thousands, and that for the previous year was NT\$905 thousands.
 - The changes in the average employee salary expense adjustment decreased by 25.08%.
 - The Company does not have any supervisor.
- Salary and remuneration policy
 - 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.
 - 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.
 - 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.