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士林紙業股份有限公司  
SHIHLIN PAPER CORP.

2020

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ANNUAL REPORT

Notice to readers

For the convenience of readers and for information purposes only, the annual report has been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.

Published on April 29, 2021

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None

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# Letter to Shareholders

Dear Shareholders,

We welcome you to attend this year's shareholders' meeting, and we would like to express our great gratitude for your long-term support of Shihlin Paper. We would like to report on the status of the Company's operations below:

## I. 2020 Business Report.

### (I) Focus on the consumer goods market

#### 1. Baby Lion

- (1) The Company is currently dedicated to the consumer market. In response to the gradual increase in the utilization rate of wet wipes in the overall market, the Company has spared no effort to develop the Lion Baby products since 2020. In addition to the existing Lion Baby wet wipes, it has launched an anti-mosquito series and a baby washes series to expand its market share. It has also expanded its distribution channels to department stores to enhance the brand image. The high quality of all its products has been recognized by consumers.
- (2) The Company's organization is adjusted, and performance is growing continuously and steadily while personnel training will be strengthened to increase the overall market share. The professional R&D team will also continue to develop more innovative extension products with high production value to meet market needs.

#### 2. Forest Beauty

- (1) The Company is currently dedicated to the consumer market. In response to the high usage rate of the facial masks, the Company has spared no effort to develop the Forest Beauty facial mask products. In addition to the Forest Nut collection, there are micro-gold superconducting series, the biological fiber series, non-bleached pure cotton series, etc., and the Company will continue to increase the product lines of the brand step by step. The skin care products, including the Forest Beauty 14-day Renew series and the high-end new skin care products of Micro-gold Superconducting royal jelly peptide series are sold in major department stores and shopping malls across the country. As for the expansion to the international market, in 2020, due to the pandemic, the Company participated in the online beauty exhibition organized by the Taiwan External Trade Development Council of the Republic of China. The agency business of brands and the OEM business have continued to grow with increasing business opportunities. With the concept of the safe, effective, and harmless natural plant extracts, the brand of Forest Beauty has gradually expanded its market share. The high quality of the products has also been recognized by consumers.

- (2) The Company's organization is adjusted and performance is growing continuously and steadily while personnel training will be strengthened to enhance their professional image. Their communication with distributors or customers is excellent professional. The R&D team will also continue to develop more innovative and extension products (skin care products) with high production value to meet market demand and to continue to expand market share and increase brand awareness.

(II) Consolidated financial revenue and expenditure and profitability in 2020

Unit: NTD thousand

Consolidated Statement of Comprehensive Income	2020	2019	Percentage of change %
Net operating income	159,473	169,454	(5.89)
Gross income from operations	53,508	52,232	2.44
Net operating loss	(152,414)	(184,403)	(17.35)
Net loss after tax	(135,685)	(179,534)	(24.42)

## II. Overview of Business Plan for 2021

(I) Baby Lion

1. The Company's operating policy this year will focus on replacement of the production-oriented approach with marketing-oriented one to continue to develop products that meet market demand, expand market share, and improve operating performance.
2. In response to the strict requirements for products and the growth of the adult market in the era of declining birthrates, the Company will extend product categories and increase the product mix in line with the market demand, actively expand distribution channels, and expand the scale for sales.
3. In addition to maintaining existing customers, the Company will use marketing resources, such as promotions and media advertisements, to integrate virtual and physical channels for products and launch products in major physical entities and online shopping platforms to expand its market share and increase profits.

(II) Forest Beauty

1. The Company's operating policy for this year will focus on expansion of the market with an sales- and marketing-orientated approach to continue to develop distribution channels suited for facial masks and skin care products market, and the Company will also work to promote brand awareness and product visibility through marketing to increase the operating performance.

2. Products that emphasized the cost-effectiveness in line with consumers' habits in the early days had resulted in astonishingly high sales performance. However, the affordable products without high quality would cause skin discomfort, which has led to a change in demand and the consumption structure. Based on the cost/value concept, Forest Beauty's high quality and affordable features will lead to a revolution in the facial mask market. It allows consumers to pay more attention to safe, effective, and harmless products suited for their personal skin in addition to the price.
3. In addition to maintaining existing customers, the Company will use marketing resources, such as promotions and media advertisements, to integrate virtual and physical channels for products and launch products in major physical entities and online shopping platforms to expand its market share and increase profits. The Company will continue to develop the distribution channels in department stores this year to develop the high-end customer base.

### **III. Future development strategy**

#### **(I) Short-term business development plans**

1. Sales strategy
  - (1) Develop new channels based on product positioning, and formulate marketing strategies based on product and channel differentiation.
  - (2) Revitalize the brand's image, keep abreast of consumer needs, and innovate and copy successful models to launch new products.
  - (3) Actively develop overseas markets and new businesses, and ensure sustainable operation by diversifying operations and revitalizing assets.
2. Marketing and R&D strategy
  - (1) Keep abreast of the market trends and develop differentiated and customized products to facilitate new product development and successful launch.
  - (2) Work closely with academic and research and development units, actually participate in the government's relevant unit's new product research and development projects, and actively apply for patents to ensure the Company's rights and interests, while expanding the scale of new product development.
3. OEM strategy
  - (1) Strictly monitor and inspect the operating procedures to strengthen and improve product quality.
  - (2) Require manufacturers to cooperate with equipment maintenance and improvement and to upgrade process technology to achieve the differentiated value of new products.

#### **(II) Mid- and long-term business development plans**

1. Master the win-win core technologies and continuously improve product quality to enhance competitive advantage.

2. Use diversified marketing strategies to promote a diversified product mix to increase market share.
3. Actively expand domestic and foreign sales markets, establish an international brand image, and become the most favored and reliable enterprise and a well-known brand.

**Baby Lion:**

Extended the product lines to anti-mosquito series and baby washes products, building on the wet wipes collection, to provide safer and more reliable products for infants and young children, so that consumers can have better choices.

**Forest Beauty:**

Develop a series of facial care products based on facial masks to provide female consumers to meet their demand for naturality, safety, beauty, and health in all aspects, and to share the pie in the female skin care market.

#### **IV. External competition environment**

(I) Baby Lion

1. The sales region of the Company's main products is mainly in the domestic market, divided into three areas: northern (New Taipei, Taipei Cities, Taoyuan, Hsinchu, and Miaoli), central, and southern Taiwan, and the Company plans to step into the Asian market.
2. Future supply and demand status and growth: According to the statistics from professional market survey and research institutions, the wet wipes market continues to grow, with the affordable and pure water products as the mainstream. The Company will plan various functional products according to different consumer groups, and develop natural products and the ones with patented formula to achieve diversification and market segmentation to improve performance.
3. Future supply-demand response: Seek more domestic and foreign professional OEM to respond to future market demand.
4. Favorable and unfavorable factors of development prospects:
  - (1) Favorable factors: Domestic and foreign professional OEM have better product technology capabilities and positive competitive advantages in innovative manufacturing processes, which make the development of product collections more complete than the competitors in the same industry so as to keeps pace with major domestic businesses.
  - (2) Unfavorable factors: Due to the limited demand in the domestic consumer goods market because of many brands and sufficient resources in the market, the Company can only adopt marketing strategies to attract consumers and expand market share.

## (II) Forest Beauty

1. The sales region of the Forest Beauty is mainly in the domestic market, divided into three areas: Northern, central, and southern Taiwan, and the Company plans to step into the global market while based in Taiwan.
2. Future supply and demand status and growth: According to the statistics from professional market survey and research institutions and actual sales of distribution channels, the facial mask market continues to grow, and the concept of natural plant extracts also makes consumers feel assured and recognize the concept. The Company will plan various functional products according to different consumer groups, and continue to develop natural products, facial masks, and skin care products with unique patented formula and diversified functions to increase market share and performance.
3. Future supply-demand response: Seek more domestic and foreign professional OEM to respond to future market demand.
4. Favorable and unfavorable factors of development prospects:
  - (1) Favorable factors: Domestic and foreign professional OEM have better product technology capabilities and positive competitive advantages in innovative manufacturing processes, which make the development of product collections more complete than the competitors in the same industry so as to keeps pace with major domestic businesses.
  - (2) Unfavorable factors: Due to the limited demand in the domestic consumer goods market, the competition among brands is fierce. After acquiring a certain degree of market popularity and market share, the Company will step up the pace of entering overseas markets to become an international brand in the future.

## V. The impact of legal and the overall business environments

- (I) All products are tested and qualified in compliance with relevant laws and regulations to provide consumers with the highest quality.
- (II) In recent years, the Company has continued to develop innovative products with high production value, while strengthening R&D and marketing capabilities, and cultivating talents is also a key development strategy for the Company in the future.
- (III) In the future, the Company will continue to uphold a pragmatic spirit, strive to take on challenges at all stages, and work hard to operate the consumer product market so as to achieve goals as planned while fulfilling social responsibilities to create greater profits and best benefits for shareholders and all employees.

## **I. 2020 Business Report**

### **(I) Change of the category of the old Shihlin Paper Mill land**

The land development project of the old Shilin Paper Mill has been approved conditionally by the Taipei Urban Planning Commission in the fourth quarter of 2020. It will continue to work with the Taipei City Government to complete the to-do items related to the project, and continue to evaluate the development of the situation for the maximum benefit of all shareholders of the Company, so as to meet the expectations of all parties and to complete the development work successfully.

(II) The Warehouse No. 5 hotel urban renewal development project was approved by the city government on October 30, 2019 for implementation with the work at the current stage completed. The company obtained a construction license on April 9, 2020.

(III) For the joint construction project at the corner of the Fude Road (Yinxiu Community), there was only one housing unit of 70 pings on the seventh floor left, which was still for sale.

(IV) The original dormitory building (Paper Sun Apartment), which was previously outsourced to an agency to operate it as a rental condo. It has completed the registration as a hotel in March, 2017 and changed its name to "Paper Sun Hotel." Due to the impact of the global pandemic in 2020, it was converted into a quarantine hotel in December 2020.

(V) The company has completed the signing of a joint construction contract for the land at No. 669-3 and 669-15, Guanghai Subsection 2, with a parcel of neighboring land, which has been included in the land reconstruction program (the reconstruction program for dangerous old buildings) on December 25, 2020.

(VI) The company planned to build a commercial building with 10 floors above ground and 3 floors underground on the self-owned land at No. 18, Fude Road, which has been included in the land reconstruction program (the reconstruction program for dangerous old buildings) on July 24, 2020.

## **II. Overview of Development Plan for 2021**

(I) The land development project of the old Shilin Paper Mill has been approved conditionally by the Taipei Urban Planning Commission in the fourth quarter of 2020. It will continue to work with the Taipei City Government to complete the to-do items related to the project in 2021, and continue to evaluate the development of the situation for the maximum benefit of all shareholders of the Company, and conduct planning by stage and zone through this project and complete the development work successfully.

(II) The construction work of the Warehouse No. 5 hotel urban renewal development project is scheduled to be officially launched in the third quarter of 2021 (a hotel building with 12 floors above ground and 3 floors underground).

- (III) For the joint construction project at the corner of the Fude Road (Yinxiu Community), the last housing unit has been sold with the contract completed, and it is scheduled to complete the sales in the first quarter of 2021.
- (IV) Paper Sun Hotel has been converted into a quarantine hotel. With the ongoing pandemic, the company will continue to integrate various resources this year to increase revenue and accommodation rates.
- (V) In the company's joint construction contract for the land at No. 669-3 and 669-15, Guanghai Subsection 2, together with a parcel of neighboring land, residential buildings with 10 floors above ground and 3 floors underground will be built. The construction license is scheduled to be obtained in the second quarter of 2021, and construction will be officially launched in the fourth quarter.
- (VI) The company planned to build a commercial building and a hotel building with 10 floors above ground and 3 floors underground on the self-owned land at No. 18, Fude Road. It is scheduled to obtain a construction license in the second quarter of 2021, and the construction will be officially launched in the fourth quarter.

### **III. Development strategy**

Sunshine Shihlin Development Co., Ltd. is a sustainable company, conducting the best management of its own land assets and re-planning and decorating existing properties according to the conditions of its self-owned land to improve the per ping efficiency and occupancy rate. The company will continue to integrate land in other areas that are conducive to carry out development, urban renewal, or reconstruction work of dangerous old buildings, to create a niche for the company while cooperating with government policies to jointly create the best interests of the urban development of Taipei City's north district and nearby residents.

#### **IV. External competition environment**

Affected by the pandemic, in response to the increase in the number of people who need to be quarantined independently, the Paper Sun Hotel has been converted into a quarantine hotel. In 2021, it will continue to cautiously respond to changes in the external economy, adjust and increase catering services in a timely manner, and explore the take-out meal market to diversify income sources.

#### **V. The impact of legal and the overall business environments**

The Urban Renewal Act was amended, passed, and promulgated for implementation on January 30, 2019. The company has actively reviewed the conditions of existing land assets and conducted various asset revitalization assessments. In addition, the Taipei City's regulations for acceleration of the reconstruction of dangerous and old buildings were implemented in October 2019. The company has reviewed eligible land assets in accordance with the regulations and completed the inclusion in the land reconstruction program (the reconstruction program for dangerous old buildings) for the project at No. 18, Fude Road and the joint construction project at No. 669-3 and 669-15, Guanghua Subsection 2 with the neighboring land. In 2021, the construction work will be continued as scheduled in line with the planned schedule.

Looking ahead to 2021, with the gradual recovery of Taiwan's economic growth, the company still needs to pay attention to changes in the global economy due to the pandemic, China-US trade friction, and other factors, and make appropriate adjustments. Therefore, the company will continue to be cautious and to cooperate with the government policies actively to meet relevant review requirements, so as to implement the company's development business smoothly while safeguarding the rights and interests of the company's shareholders and meeting the expectations of all parties in the society.

Shihlin Paper Co., Ltd.

Chairman Tai Shih Trading Co., Ltd.

Cheng-Che Tsai, President

## Company Profile

Shihlin Paper Co., Ltd. originally had Shilin and Yongan Paper Mills 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. Shilling Paper Mill formally established the Shihlin Paper Co., Ltd. (hereinafter referred to as the “Company”) on January 1, 1959.

In January 1959, the Company’s initial capital was NT\$27.2 million.

At the beginning of the Company's establishment, Shilin Paper Mill had only two paper machines with an annual output of only more than 8,900 metric tons. After years of expansion, Shilin Paper Mill has five paper machines. In 1970, it purchased land and established the Yongan Paper Mill in Yongan Fishing Harbor, Xinwu Township, Taoyuan while setting up pulping equipment first to supply pulp to the Shilin Paper Mill. In 1978, it set up a paper machine with a daily output of 100 metric tons, paper machine No. 2 with a daily output of 200 metric tons in 1984, and paper machine No. 3 with a daily output of 80 metric tons in 1989. The output of the two paper mills could reach 194,400 metric tons annually. In May 1989, one set of cogeneration equipment was set up and operated officially in September 1990, which opened a new chapter of energy conservation for the Company.

To improve product quality, reduce long-term production costs, and break through operational difficulties, the Company repaired and updated the paper machine No. 2 with a daily output of 200 metric tons at the Yongan Paper Mill in mid-December 1993, and increased the daily production capacity to 250 metric tons. The Company conducted modification of the equipment again in November 1998 to make the quality more stable and to increase the types of paper produced. The raw material processing system was also updated based on long-term planning and cost-effectiveness to increase the processing efficiency and save energy. Meanwhile, it purchased two high-precision paper cutters, which could not only improve cutting accuracy and reduce tool wear, and return of defective products, but also increase the degree of automation and reduce the number of operators required. They could also increase the quantity of packaging on the automatic packaging machines and reduce the number of manual packaging personnel. It is of great help to the Company in conducting business transformation.

On December 20, 1998, due to the old equipment and low production capacity of the Shilin Paper Mill, increasing production costs, and lack of competitiveness, the Company had no choice but close Shilin Paper Mill to end the 80 years of operations. After approved by the board of directors., the Shilin Paper Mill's original machine No. 4 and other available equipment were installed into the paper machine No. 4 at the Yongan Paper Mill, through the updates of some parts of some machines, to increase the diversity of supply.

On December 30, 2003, to implement professional division of labor so as to increase competitiveness, part of the land, property, and equipment was divided and transferred to Sunshine Shihlin Development Co., Ltd., a wholly-owned subsidiary of the Company. It is mainly involved in the development, leasing, and sale of residential buildings and commercial buildings, leasing of real estate, investment and construction of public works, and leasing of office building.

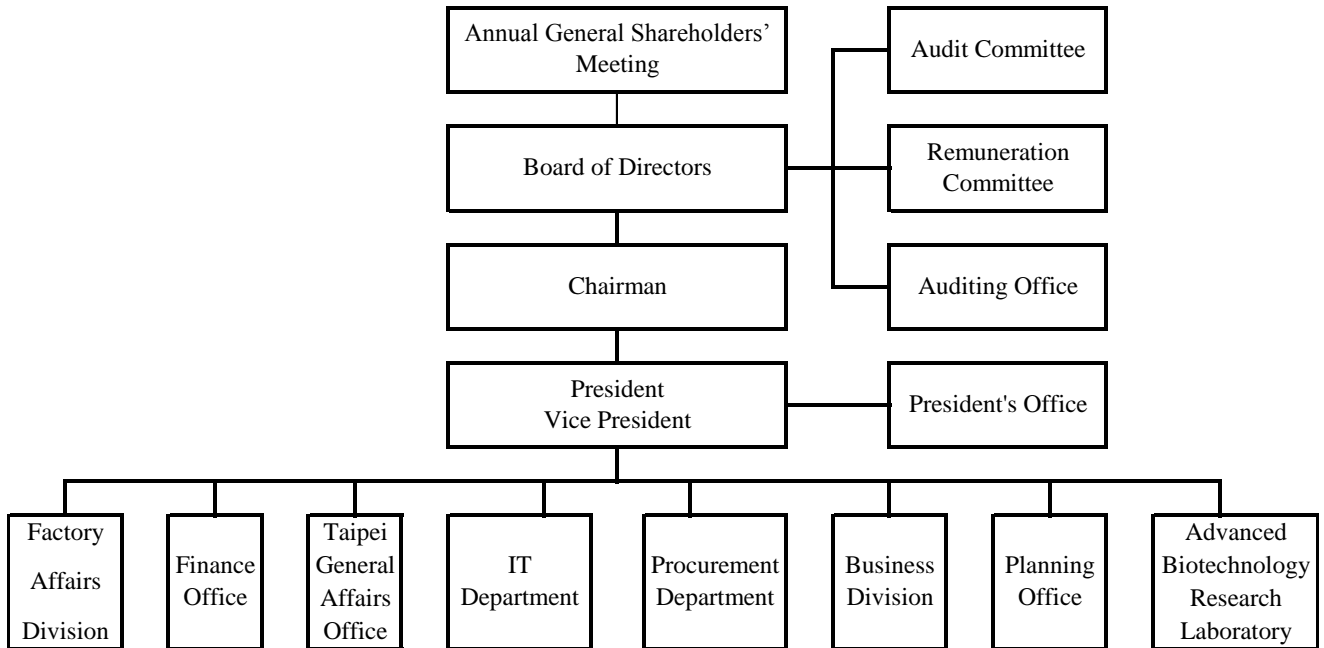
After approved by the shareholders' meeting on June 27, 2014, the Yongan Paper Mill officially ceased operation and production in October of the same year. The Company has planned a series of supporting measures for transformation, including land revitalization and paper processing. To adapt to market changes and demands, the Company has gradually transformed itself and adjusted its business and products by adding the sales of wet wipes, facial masks, and baby wash and care products to the product lines.

At the end of 2020, the total authorized capital was NT\$2.8 billion, and the paid-in capital was NT\$2,600,391,210.

# Corporate Governance Report

## I. Organization

(I) Organizational Chart of the Company:



## II. Information on Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

### (I) Information on Directors

#### 1. List of Directors

April 9, 2021

Title (Note 1)	Nationality or Place of Incorporation	Name	Gender	Date of (elected to) office	Term	Date of Initial Election to Office (Note2)	Shares Held When Elected		Shares Held at Present		Shares currently held by spouse and offspring (minors)		Holding shares in the name of another person		Key Work and Academic Experience (Note 3)	Currently holding concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or within two degrees of consanguinity			Remarks (Note 4)
							Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Title	Name	Relation	
Chairman	Taiwan, R.O.C	Tai Shih Trading Co., Ltd. Representative: Chen, Po-Ting	Male	108/6/24	3 years	49/11/5	907,667	0.35%	904,667	0.35%	0	0%	0	0%	Wan Hai Lines Ltd. (M.S., University of San Francisco, USA)	Wan Hai Lines Ltd. Vice Chairman, Sunshine Shihlin Development Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C	Yee Tzao Enterprise Co., Ltd. Representative: Wu, Chiu-Ling	Female	108/6/24	3 years	55/3/23	825,905	0.32%	825,905	0.32%	0	0%	0	0%	Chairman, Yee Tzao Enterprise Co., Ltd. (De Lin Institute of Technology)	Chairman, Yee Tzao Enterprise Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C	Yi Hsiang Industrial Co., Ltd. Representative: Chen, Zhi-Yuan	Male	108/6/24	3 years	105/6/8	800,000	0.31%	800,000	0.31%	0	0%	0	0%	Chairman, Yi Yuan Industrial Co., Ltd. (MBA, New York University)	Vice Chairman, Taan Insurance Co., Ltd. Chairman, Sunshine Shihlin Development Co., Ltd. Corporate Representative Director, China Airlines, Ltd. Corporate Representative Director, Epistar Corporation	None	None	None	None
Director	Taiwan, R.O.C	Taiwan Evervaliant Corp. Representative: Chen, Zhi-Yuan	Male	108/6/24	3 years	105/6/8	12,674,381	4.87%	12,674,381	4.87%	0	0%	0	0%	Director, Li Yu Hsing Co., Ltd (Ph.D., Philosophy, University of California, USA )	Director, Li Yu Hsing Co., Ltd	None	None	None	None
Independent Director	Taiwan, R.O.C	Hsiao-Chueh Hsieh	Female	108/6/24	3 years	108/6/24	0	0%	0	0%	0	0%	0	0%	Vice President, June Lai Metal Co., Ltd Director of Finance Department, Chiu Tung Motors Co., Ltd (94EMBA, National Chengchi University and Department of Banking and Insurance, Chihlee College of Business)	Vice President of Administration and Finance of June Lai Metal Co., Ltd.	None	None	None	None
Independent Director	Taiwan, R.O.C	Ming-Chu Chen	Male	108/6/24	3 years	105/6/8	0	0%	0	0%	0	0%	0	0%	Chairman, Foundation for Research on Open Space, Taipei (M.S. Architecture and Urban Design, Graduate School of Architecture, Columbia University, USA; M.A., Architecture, College of the Arts, Ohio University, USA )	Chairman, Foundation for Research on Open Space, Taipei Distinguished Adjunct Professor, College of Environmental Design, Chinese Culture University Chairman, Awards Committee, International Real Estate Federation (FIABCI)	None	None	None	None
Independent Director	Taiwan, R.O.C	Ming-Chien Tang	Male	108/6/24	3 years	108/6/24	0	0%	0	0%	0	0%	0	0%	Director-General, Construction and Planning Agency, Ministry of the Interior (Institute for Industrial Planning, Chinese Culture University)	None	None	None	None	None

Note 1: Names of corporate shareholders and their representatives shall be listed separately (if the representatives are corporate shareholders, the names of said corporate shareholders shall be indicated) in Table 1 below.

Note 2: Fill in the time for serving as a director or supervisor of the Company for the first time. If there is any interruption, it shall be indicated.

Note 3: For the experience related to the current position, such as having worked in a CPA firm or its affiliates during the said period, the job title and position shall be specified.

Note 4: The Company's Chairman and the President or the persons with equivalent positions (the top-level managers) are the same person, spouse, or relatives within the first degree of kinship to each other, the reason, reasonableness, necessity, and countermeasures shall be specified (such as increasing the number of independent directors or more than half of the directors not serving as employees or managers concurrently).

Table 1: Major Shareholders of Corporate Shareholders

April 9, 2021

Name of Corporate Shareholders ( Note 1 )	Major Shareholders of Corporate Shareholders (Note 2)
Tai Shih Trading Co., Ltd.	Chen, Hui-Ying 4%, Chen, Yin-Ru 17.87%, Chen, Mei-Ru 9.65%, Chen, Po-Ting 2.99%, Chen, Chao-Ti 6.98%, Dao Qi Co.,Ltd 15.62%, Dao Pu Co.,Ltd 13.62%, Dao Kuan Co.,Ltd 15.65%, Dao Yu Co.,Ltd 13.62%
Yee Tzao Enterprise Co., Ltd.	Lin, Chieh-Yi 62%, Lin, Yueh-Hsia 14.4%, Wu, Chiu-Ling 9.92%, Lin, Cheng-Hsiung 8%, Lin, Chia-Jin 5.28%, Lin, Chia-Ying 0.2%, Lin, Yi-Cheng 0.2%
Yi Hsiang Industrial Co.,Ltd.	Skyway Industrial Limited 34.211%, Hsin Feng Co., Ltd. 18.421%, Yeong Yi Asia (Corp.) 18.421%, Fontainebleau(Co., )Ltd. 13.158%, Yi Yuan Industrial(Co.,) Ltd. 9.211%, Yi Chao Industrial (Co.,) Ltd. 3.947%, Chen, Chih-Hsiang 2.50%, Chang, Wan-Yun 0.033%, Chen, Chih-Yuan 0.033%, Chen, Chih-Chao 0.033%
Taiwan Evervaliant Corp.	Tai Power Enterprise(Corporation) 58.185%, Yi Chun Shipping Co.,Ltd. 25.460%, Liyou Investment Co., Ltd.( ) 9.386%, Lin, Ying-Hua 0.001%, Chen, Chao-Heng 0.001%, Chen-Yung Foundation 4.845%, Chen Ching-Chih 0.001%, Unimode Investment Co., Ltd. 2.122%

Note 1:Where a director is a representative of a corporate shareholder, the name of the corporate shareholder shall be entered.

Note 2:Name of the major shareholders of the corporate shareholder (shareholding ratios among the top ten) and their shareholding ratios. Where a major shareholder is a juridical person, Table 2 below shall be filled out.

Table 2: Information on Major Shareholders of the Major Shareholders in Table 1 Who are Juridical Persons

April 9, 2021

Name of Corporate Shareholders ( Note 1 )	Major shareholders of Corporate Shareholders (Note 2)
Dao Qi Co., Ltd.	Crystal Blossom Ltd 100%
Dao Kuan Co.,Ltd.	Discovery treasure Limited 100%
Dao Pu Co.,Ltd.	Integrated Global Investments Limited 100%
Dao Yu Co.,Ltd.	Chesterfield Capital Management Inc 100%
Skyway Industrial Limited	CCS Co.,Ltd 100%
Hsing Feng Co.,Ltd.	Skyway Industrial Limited 83.333%, Chen, Chih-Yuan 2.603%, Yi Yuan Industrial(Co.,)Ltd. 3.730%, Yi Chao Industrial(Co.,)Ltd. 3.532%, Chang, Wan-Yun 0.794%, Yi Xiang Industrial(Co.,) Ltd. 3.532% Chen, Chih-Hsiang 1.258% Chen, Chih-Yuan 1.218%
Yeong Yi Asia Corp.	Smithson Crawford Murray Capital 32.165%, Hsin Feng (Co.,) Ltd. 24.962%, Fontainebleau ( Co., ) Ltd. 24.517%, Skyway Industrial Limited 4.923%,Yi Chao Industrial (Co.,) Ltd. 4.144%,Chen-Yung Foundation 3.436%, Chen Chih-Chao 1.947%, Sui Shih Sung (Co.,)Ltd. 1.727%, Yi Yuan Industrial(Co.,)Ltd. 1.154%, Kang Tu Industrial (Co.,)Ltd. 0.683%

Name of Corporate Shareholders ( Note 1 )	Major Shareholders of Corporate Shareholders (Note 2)
Feng Tan Pai Lou Co.,Ltd.	China Container Terminal Corp. 56.933%, Skyway Industrial Limited 22.548%, Smithson Crawford Murray Capital 9.442%, Yeong Yi Asia ( Corp. ) 2.157%, Yi Yuan Industrial ( Co., ) Ltd. 2.155%, Yi Chao Industrial ( Co., ) Ltd. 2.121%, Yi Hsiang Industrial(Co.,)Ltd. 2.121%, Chen, Chih-Yuan 0.960%, Kang Tu Industrial (Co.,) Ltd. 0.564%, Hsin Feng(Co.,) Ltd. 0.564%
Yi Yuan Industrial Co.,Ltd.	Skyway Industrial Limited 22.616%, Yeong Yi Asia(Corp.) 18.847%, Fontainebleau (Co.,)Ltd. 18.847%, Hsin Feng(Co.,)Ltd. 18.847%, Chen Chih-Yuan 16.698%, Sui Shih Sung(Co.,) 1.998%, Tsou Meng-Li 1.885%, Chen, Yu-An 0.196%, Chang Wan-Yun 0.038%, Chen Chao-Heng 0.030%
Yi Chao Industrial Co.,Ltd.	Chen, Chih-Chao 49.891%, Skyway Industrial Limited 30.435%, Fontainebleau(Co.,)Ltd. 11.594%, Hsin Feng(Co.,)Ltd. 8.043%, Chen, Chih-Yuan 0.009%, Chen, Chao-Heng 0.009%, Chang, Wan-Yun 0.009%, Chang, Shao-Ning 0.009%
Tai Power Enterprise Corporation	Unimode Investment Co., Ltd. 90.821%, Taiwan Evervaliant ( Corp. ) 9.116%, Chen, Ching-Chih 0.034%, Chen, Li 0.021%, Su, Wen-Tsung 0.002%, Lin, De-Ming 0.002%, Wang, Hsiu-Wen 0.002%, Lin, An-Chou 0.002%
Yi Chun Shipping Co.,Ltd.	LY Investment Co.,Ltd. 100%
Liyou Investment Co., Ltd.	Randy Chen 48.75%,Shea Chen 48.75%,Ruth. Yin Hua Chen 1.25% ,C.C. Chen 1.25%
Unimode Investment Co., Ltd.	LY Investment Co.,Ltd. 100%

Note 1: Where the major shareholders in Table 1 above are juridical persons, the name of the juridical persons shall be entered.

Note 2: Name of the major shareholders of the juridical persons (shareholding ratios among the top ten) and their shareholding ratios.

## 2. Information on Directors

April 9, 2021

Name	Conditions	Does the Director have more than five years of work experience and the following professional qualifications		Independence (Note 1)												Number of publicly listed companies where the person concurrently serves as an independent Director
		Lecturer or above from a public or private college or university in business, law, finance, accounting or related disciplines required for corporate business management	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations required for the Company's business operations	Business, legal, financial, accounting or industry experience required by the Company	1	2	3	4	5	6	7	8	9	10	11	
Tai Shih Trading Co., Ltd. Representative: Chen, Po-Ting			✓						✓	✓	✓	✓	✓	✓	✓	None
Yee Tzao Enterprise Co., Ltd. Representative: Wu, Chiu-Ling			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Yi Hsiang Industrial Co., Ltd. Representative: Chen, Zhi-Yuan			✓			✓		✓	✓	✓	✓	✓	✓	✓	None	
Taiwan Evervaliant Corp. Representative: Chen, Zhi-Yuan			✓			✓		✓	✓	✓		✓	✓	✓	None	
Ming-Chu Chen	✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Ming-Chien Tang		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Hsiao-Chueh Hsieh			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: If each director meets any condition below in the two years before taking office and during the term of office, please place a "✓" in the box below each condition code.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership.
- (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director (managing director), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or relevant services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- (10) Not a spouse or relative within the second degree of kinship relationship of another director.
- (11) No situation under any of the subparagraphs of Article 30 of the Company Act.
- (12) Not a government agency, a juridical person, or its representative elected under Article 27 of the Company Act.

(II) Information on President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

April 9, 2021

Title (Note 1)	Nationality	Name	Gender	Date of (elected to) office	Shares held		Shares currently held by spouse and offspring (minors)		Holding shares in the name of another person		Key Work and Academic Experience (Note 2)	Current position(s) in other companies	Manager with spouse or consanguineous within two degrees			Remarks (Note 3)
					Shares	Shareholdin gs Ratio	Shares	Shareholdings Ratio	Shares	Shareholdings Ratio			Title	Name	Relation	
President	Taiwan, R.O.C	Tsai, Cheng- Che	Male	2018/1/1	0	0	0	0	0	0	President, Shihlin Paper Co., Ltd. (Department of Shipping & Transportation Management, National	Supervisor, Shihlin Environment Corporation	None	None	None	None
Vice President	Taiwan, R.O.C	Chen, Mei-Ru	Female	2004/7/1	2,131,906	0.82	0	0	0	0	Vice President, Shihlin Paper Co., Ltd. (Masters Degree, Boston University)	Chairman of the Board of Directors of Sunnyfield Shihlin Co.,Ltd. Director, Shihlin Environment	None	None	None	None
Vice Manager	Taiwan, R.O.C	Lin, Ni- Ru	Female	2019/3/22	0	0	0	0	0	0	Vice Manager, Shihlin Paper Co., Ltd. (Department of Accounting, Soochow University)	Accounting Manager, Sunshine Shihlin Development Co., Ltd.	None	None	None	None

Note 1: It shall include the President, Vice Presidents, Assistant Vice Presidents, heads of various departments and branches, as well as any position equivalent to the President, Vice President, Assistant Vice President regardless of job title.

Note 2: For the experience related to the current position, such as having worked in a CPA firm or its affiliates during the said period, the job title and position shall be specified.

Note 3: The Company's President or the persons with equivalent positions (the top-level managers) and the Chairman are the same person, spouse, or relatives within the first degree of kinship to each other, the reason, reasonableness, necessity, and countermeasures shall be disclosed (such as increasing the number of independent directors or more than half of the directors not serving as employees or managers concurrently).

### III. Remuneration Paid to Directors, President, and Vice Presidents in the Last Year

#### (I) Remuneration of general directors and independent directors (disclosure of individual names and remuneration methods):

Unit: NTD thousand

Title	Name	Remuneration to directors								The proportion of total A, B, C and D to net income after tax (Note 10)		Compensation for part-time employees						A, B, C, D, E, F and G as a percentage of net income after tax (Note 10)		Receipt of remuneration from businesses other than subsidiaries or parent companies (Note 11)		
		Remuneration (A) (Note 2)		Retirement benefits(B)		Director's Remuneration (C) (Note 3)		Business execution expenses (D)(Note 4)				Salary, bonus and special expenses, etc. (E)(Note 5)		Retirement benefits(F)		Employee Compensation(G) (Note 6)						
		The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	The Company	All companies in the financial statements (Note 7)	In Financial Report Consolidated Companies (Note7)		The Company	All companies in the financial statements (Note 7)			
															Cash Amount	Stock Amount	Cash Amount	Stock Amount				
Director	Tai Shih Trading Co., Ltd. Representative: Chen, Po-Ting	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Yee Tzao Enterprise Co., Ltd. Representative: Wu, Chiu-Ling	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Taiwan Evervaliant Corp. Representative: Chen, Zhi-Yuan	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Yi Hsiang Industrial Co., Ltd. Representative: Chen, Zhi-Yuan	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Independent Director	Hsiao-Chueh Hsieh	0	0	0	0	0	0	248	248	-0.18%	-0.18%	0	0	0	0	0	0	0	0	-0.18%	-0.18%	None
Independent Director	Ming-Chu Chen	0	0	0	0	0	0	248	248	-0.18%	-0.18%	0	0	0	0	0	0	0	0	-0.18%	-0.18%	None
Independent Director	Ming-Chien Tang	0	0	0	0	0	0	248	248	-0.18%	-0.18%	0	0	0	0	0	0	0	0	-0.18%	-0.18%	None

1. Please describe the policy, system, criteria and structure for the remuneration of independent Directors, and describe the relevance to the amount of compensation paid based on the responsibilities, risks and time commitment:

The remuneration of the independent Directors of the Company is based on the resolution of the 23th meeting of the 8th Board of Directors and the 24th meeting of the 2th Board of Directors of the Company, and the fees are paid according to their role and capacity in the Company.

2. Besides the above table, has the Directors of the Company provided services to all companies in the financial statements in the most recent year(such as serving as consultants to non-employees)and remuneration received: none.

Note 1: The names of the directors shall be listed separately (in the case of corporate shareholders, the names of the corporate shareholders and their representatives shall be listed separately), and the amount of each payment shall be disclosed in an aggregate manner. Where a director is serving as the President or Vice President concurrently, please fill in this table and table (3-1) or (3-2) below.

Note 2: It refers to the remuneration of directors in the last year (including directors' salary, duty allowance, severance payment, various bonuses, and incentives).

Note 3: It refers to the amount of directors' remuneration approved by the board of directors in the last year.

Note 4: It refers to the directors' relevant professional service fees in the last year (including honoraria, special allowances, various allowances, dormitory, and any company car assigned). When housing, cars, and other means of transportation are provided or in the case of personal expenses, the nature and cost of the assets provided, the actual rent or rent at fair market price, fuel, and other payments shall be disclosed. If there is a chauffeur assigned, please specify the relevant payments that the Company makes to the chauffeur without included in the remuneration.

Note 5: It refers to the salary, duty allowance, severance payment, various bonuses, honoraria, special expenses, various allowances, dormitory, any company car assigned, and other physical items that directors who served as employees concurrently (including President, Vice President, other managers, and employees) in the last year. When housing, cars, and other means of transportation are provided or in the case of personal expenses, the nature and cost of the assets provided, the actual rent or rent at fair market price, fuel, and other payments shall be disclosed. If there is a chauffeur assigned, please specify the relevant payments that the Company makes to the chauffeur without included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-based Benefits", including obtaining employee stock warrants, new restricted employee shares, and subscription for shares in capital increase in cash, shall also be included in remuneration.

Note 6: Where those who have received employee compensation (including stock and cash) for directors serving as employees concurrently (including President, Vice President, other managers, and employees) in the last year, the amount of employee compensation distributed by the board of directors in the last year shall be disclosed. If it cannot be estimated, the amount proposed to be distributed for this year shall be calculated in proportion to the actual amount distributed last year, and Table 1-3 should be filled out additionally.

Note 7: The total amount of remuneration paid to the Company's directors by all companies (including the Company) in the consolidated financial report shall be disclosed.

Note 8: For the total amount of remuneration the Company pays to each director, the name of each director shall be disclosed in the corresponding remuneration range.

Note 9: The total amount of the remunerations paid to each of the Company's directors by all companies (including the Company) in the consolidated financial report shall be disclosed, and the name of each director shall be disclosed in the corresponding remuneration range.

Note 10: Net income after tax refers to the net income after tax as in the standalone or individual financial report in the last year.

Note 11: a. This column shall clearly list the amount of relevant remuneration received by the directors of the Company from the investees other than subsidiaries or the parent company (if none, please fill in "none").

b. If the directors of the Company receive relevant remuneration from the investees other than subsidiaries or the parent company, the remuneration received by the directors from the from the investees other than subsidiaries or the parent company shall be included in column I of the remuneration range table, and the column title shall be changed to "Parent Company and All Investees".

c. Remuneration refers to the compensation, remuneration (including employee compensation and remuneration of directors and supervisors), and professional service fees received by the directors of the Company as directors, supervisors, or managers at the investees other than subsidiaries or the parent company.

(II) Remuneration of supervisors: None.

(III) Remuneration of the President and Vice Presidents (name disclosed in the corresponding range in an aggregate manner)

Unit: NTD thousand

Title	Name (Note 1)	Salary Compensation (A) (Note 2)		Retirement benefits (B)		Bonuses and special expenses, etc. (C) (Note 3)		Amount of employee compensation(D) (Note 4)				The proportion of total A, B, C and D to net income after tax (Note 8)		Remuneration received from reinvested businesses or from the parent company (Note 9)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		In Financial Report Consolidated Companies (Note 5)		The Company	All companies in the financial statements (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Tsai, Cheng- Che	1,594	1,594	100	100	217	217	0	0	0	0	-1.41%	-1.41%	None
Vice President	Chen, Mei-Ru													

\* Regardless of job title, anyone holding a position equivalent to the President or Vice President (e.g., President, CEO, or director) shall be disclosed.

Remuneration Range Table

Remuneration Paid to President, and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All companies in the financial statements (Note 7) E
Less than NT\$1,000 thousand	Cheng-Che Tsai, Mei-Ru Chen	Cheng-Che Tsai, Mei-Ru Chen
NT\$1,000,000 (inclusive) ~ NT\$2,000,000(exclusive)	None	None
NT\$2,000,000 (inclusive) ~ NT\$3,500,000(exclusive)	None	None
NT\$3,500,000 (inclusive) ~ NT\$5,000,000(exclusive)	None	None
NT\$5,000,000 (inclusive) ~ NT\$10,000,000(exclusive)	None	None
NT\$10,000,000 (inclusive) ~ NT\$15,000,000(exclusive)	None	None
NT\$15,000,000 (inclusive) ~ NT\$30,000,000(exclusive)	None	None
NT\$30,000,000 (inclusive) ~ NT\$50,000,000(exclusive)	None	None
NT\$50,000,000 (inclusive) ~ NT\$100,000,000(exclusive)	None	None
100,000,000 or more	None	None
Total	2	2

Note 1: The names of the President and Vice Presidents shall be listed separately, and the payment amounts shall be disclosed in an aggregate manner.

Where a director serves as the President or Vice President concurrently, please fill out this table and Table 1 above.

(1) One chauffeur was assigned, with a salary of NT\$544 thousand, a pension of NT\$32 thousand, and a bonus of NT\$30 thousand.

(2) The pension (B) of the President or Vice Presidents in 2020 was based on a pension system under the Labor Pension Act, that is the new pension system, through the Company contributes 6% of each employee's monthly salary to the Bureau of Labor Insurance in the year.

Note 2: It refers to the salary, duty allowance, and severance payment provided to the President or Vice Presidents in the last year.

Note 3: It refers to the amount of various bonuses, incentives, honoraria, special allowances, various allowances, dormitory, any company car assigned, and other physical items provided to the President or Vice Presidents in the last year. When housing, cars, and other means of transportation are provided or in the case of personal expenses, the nature and cost of the assets provided, the actual rent or rent at fair market price, fuel, and other payments shall be disclosed. If there is a chauffeur assigned, please specify the relevant payments that the Company makes to the chauffeur without included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-based Benefits", including obtaining employee stock warrants, new restricted employee shares, and subscription for shares in capital increase in cash, shall also be included in remuneration.

Note 4: It refers to the amount of employee compensation (including stock and cash) approved by the board of directors to be distributed to the President or Vice Presidents in the last year. If it cannot be estimated, the amount proposed to be distributed for this year shall be calculated in proportion to the actual amount distributed last year, and Table 1-3 should be filled out additionally. Net income after tax refers to the net income after tax in the last year; if the International Financial Reporting Standards have been adopted, net income after tax refers to the net income after tax as in the standalone or individual financial report in the last year.

Note 5: The total amount of remuneration paid to the Company's President or Vice Presidents by all companies (including the Company) in the consolidated financial report shall be disclosed.

Note 6: For the total amount of remuneration the Company pays to each President and Vice President, the name of each President and Vice President shall be disclosed in the corresponding remuneration range.

Note 7: The total amount of the remunerations paid to each of the Company's President and Vice Presidents by all companies (including the Company) in the consolidated financial report shall be disclosed, and the name of each President and Vice President shall be disclosed in the corresponding remuneration range.

Note 8: Net income after tax refers to the net income after tax in the last year; if the International Financial Reporting Standards have been adopted, net income after tax refers to the net income after tax as in the standalone or individual financial report in the last year.

Note 9: a. This column shall clearly disclose the amount of relevant remuneration received by the Company's President and Vice Presidents from the investees other than subsidiaries.

b. If the Company's President and Vice Presidents receive relevant remuneration from the investees other than subsidiaries, the remuneration received by the Company's President and Vice Presidents from the investees other than subsidiaries shall be included in column E of the remuneration range table, and the column title shall be changed to "All Investees".

c. Remuneration refers to the compensation, remuneration (including employee compensation and remuneration of directors and supervisors), and professional service fees received by the Company's President and Vice Presidents as directors, supervisors, or managers at the investees other than subsidiaries.

\* The content of the remuneration disclosed in this table is different from the concept of income as in the Income Tax Act, so this table is for the purpose of information disclosure and not for taxation purposes.

#### (IV) Top Five Managers of the Company with the Highest Remuneration

Title	Name (Note 1)	Salary Compensation (A) (Note 2)		Retirement benefits (B)		Bonuses and special expenses, etc. (C) (Note 3)		Amount of employee compensation(D) (Note 4)				The proportion of total A, B, C and D to net income after tax(%) (Note 6)		Remunerat ion received from reinvested businesses or from the parent company (Note 7)
		The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company	All companies in the financial statements (Note 5)	The Company		In Financial Report Consolidated Companies (Note 5)		The Company	All companies in the financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Tsai, Cheng-Che	797	797	50	50	108	108	0	0	0	0	-0.70%	-0.70%	None
Vice President	Chen, Mei-Ru	797	797	50	50	108	108	0	0	0	0	-0.70%	-0.70%	None
Sales Manager	Li, Hung-Chu	977	977	59	59	97	97	0	0	0	0	-0.84%	-0.84%	None
Executive Deputy Man	Lai, Pei-Ying	809	809	50	50	67	67	0	0	0	0	-0.68%	-0.68%	None
Assistant Manager, IT	Li, Li-Hua	1,007	1,007	60	60	84	84	0	0	0	0	-0.85%	-0.85%	None

Note 1: The term "Top Five Managers with the Highest Remuneration" refer to the managers of the Company, and the standards for the identification of relevant managers are based on the definition of "manager" as stipulated in Tai-Cai-Zheng-III No. 0920001301 issued by the Securities and Futures Commission, Ministry of Finance, dated March 27, 2003. As for the principles for determining the "Top Five Managers with the Highest Remuneration", it is based on the salaries, pensions, bonuses, and special allowances received by the Company's managers from all companies in the consolidated financial report, as well as the sum of employee compensation (that is, the sum of A +B+C+D), and the top five managers with the highest remuneration will then be determined after sorted. Where a director serves as said manager concurrently, this table and the table (1-1) above shall be filled out.

Note 2: It refers to the salary, duty allowance, and severance payment of the top five managers with the highest remuneration in the last year.

Note 3: It refers to various bonuses, incentives, honoraria, special allowance, various allowances, dormitory, any company car assigned, and other physical items provided to the top five managers with the highest remuneration in the last year. When housing, cars, and other means of transportation are provided or in the case of personal expenses, the nature and cost of the assets provided, the actual rent or rent at fair market price, fuel, and other payments shall be disclosed. If there is a chauffeur assigned, please specify the relevant payments that the Company makes to the chauffeur without included in the remuneration. In addition, salary expenses recognized in accordance with IFRS 2 "Share-based Benefits", including obtaining employee stock warrants, new restricted employee shares, and subscription for shares in capital increase in cash, shall also be included in remuneration.

Note 4: It refers to the amount of employee compensation (including stock and cash) paid to the top five managers with the highest remuneration approved by the board of directors in the last year. If it cannot be estimated, the amount proposed to be distributed for this year shall be calculated in proportion to the actual amount distributed last year, and Table 1-3 shall be filled out additionally.

Note 5: The total amount of remuneration paid to the Company's top five managers with the highest remuneration by all companies (including the Company) in the consolidated financial report shall be disclosed.

Note 6: Net income after tax refers to the net income after tax as in the standalone or individual financial report in the last year.

Note 7: a. This column shall clearly list the amount of relevant remuneration received by the Company's top five managers with the highest remuneration from the investees other than subsidiaries or the parent company (if none, please fill in "none"). b. Remuneration refers to the compensation, remuneration (including employee compensation and remuneration of directors and supervisors), and professional service fees received by the Company's top five managers with the highest remuneration as directors, supervisors, or managers at the investees other than subsidiaries or the parent company.

\* The content of the remuneration disclosed in this table is different from the concept of income as in the Income Tax Act, so this table is for the purpose of information disclosure and not for taxation purposes.

#### (V) Analysis of the Total Remuneration Paid to Directors, Supervisors, President, and Vice Presidents of the Company in the Last Two Years by the Company and All Companies in the Consolidated Financial Statements as a Percentage of the Net Income After Tax, and the Description of the Relevance of the Remuneration Policy, Standards, and Packages, and Procedures for Determining Remuneration to Business Performance and Future Risks

The Company and all companies in the consolidated financial statements had only paid professional service fees to independent directors in the last two years (accounting for (0.55%) and (0.27%) of the net income after tax for 2020 and 2019, respectively, and did not pay remuneration to other directors and supervisors; the remuneration paid to the President, and Vice Presidents is mainly their salaries, accounting for (1.41%) and (1.05%) of the net income after tax for 2020 and 2019, respectively; payment of salaries is in accordance with the relevant provisions of the Company's regulations on personnel.

## IV. Implementation of Corporate Governance

### (I) Information on the Operation of the Board of Directors

The board of directors had held 5 (A) meetings in the last year, and the attendance of directors and supervisors is as follows:

December 31, 2020

Title	Name(Note 1)	Actual number of ( ) seats B	Number in attendance by proxy	Actual attendance rate(%) (B/ A) (Note 2)	Remarks
Attendance of the 24th Board of Directors: (Jan 1, 2020 ~Dec 31, 2020; Board meetings were held 5 times in the most recent year)					
Chairman	Representative, Tai Shih Trading Co., Ltd.: Chen, Po-Ting	5	0	100.00%	
Director	Representative, Yee Tzao Enterprise Co., Ltd.: Wu, Chiu-Ling	4	1	80.00%	
Director	Representative, Yi Xiang Industrial Co., Ltd.: Chen, Chih-Yuan	4	1	80.00%	
Director	Representative, Taiwan Evervaliant Corp.: Chen, You	5	0	100.00%	
Independent Director	Hsiao-Chueh Hsieh	5	0	100.00%	
Independent Director	Ming-Chu Chen	5	0	100.00%	
Independent Director	Ming-Chien Tang	5	0	100.00%	

Other items to be recorded:

- I. The matters listed in Article 14-3 of the Securities and Exchange Act and other matters resolved by the Board of Directors' meeting in which the independent Directors have objected to or reserved their opinions and for which records or written statements are available shall state the date and time of the Board of Directors' meeting, the content of the motion, the opinions of all independent directors and the Company's treatment of the opinions of the independent Directors: In accordance with the law, the independent directors did not object to or reserve their opinions on any of the motions during this year's Board of Directors' meeting.
- II. The implementation of the director's recusal of the proposal of interest shall state the name of the director, the content of the proposal, the reason for the recusal of interest and the circumstances of participation in voting:
1. The remuneration of the representative of the corporate director
- (1) Name of Director: Chen, Po-Ting, representative, Tai Shih Trading Co., Ltd.:
- (2) Motion: The 7<sup>th</sup> Meeting of the 24<sup>th</sup> Board of Directors was convened on August 10, 2020 to discuss the remuneration of the corporate director representatives.
- (3) Reason for interest avoidance: Interest in the matter under discussion
- (4) Participation in voting: Chen, Po-Ting, the representative of Tai Shih Trading Co., Ltd., recused himself from the meeting, with the present Directors jointly recommending Chen, Chih-Yuan, the representative of Yixiang Industrial Co., Ltd., to act as the Acting Chairman of . The resolution was passed without objection after the Acting Chairman consulted present Directors and independent Directors.
- III. Publicly listed companies shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self (or peer) evaluation as well as other material information

Evaluation Cycle	Evaluation period	Scope of evaluation	Evaluation Method	Evaluation Content
Performed once a year	January 1, 2020 – December 31, 2020	Overall Board of Directors, individual Board members and functional committees	Internal self-assessment	Board of Directors: 1. Participation in company operations 2. Contribution to improving the quality of Board decisions 3. Composition and structure of the Board of Directors 4. Election and Continuing Education of Directors 5. Internal Control
				Members of the Board: 1. Familiarity with the Company's objectives and tasks 2. Knowledge of directors' duties 3. Participation in the operations of the Company 4. Internal relationship management and communication 5. Professional and continuing education of Directors 6. Internal Control
				Functional Committees: 1. Participation in the Company's operations 2. Recognition of functional committee responsibilities 3. Contribution to improving the quality of functional committee decisions 4. Composition and selection of functional committee members 5. Internal Control

Supplementary Note: The attendance rate of Directors at the Board of Directors' meetings held in 2020 reached 92.8%.

- IV. Assessment of the objectives of the current and most recent year to strengthen the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and the corresponding implementation status :
- The Company has amended its Articles of Incorporation and established an Audit Committee in 2019 to follow rules and regulations required by the competent authorities .

Note 1: Where the directors and supervisors are juridical persons, the names of the corporate shareholders and their representatives shall be disclosed.

Note 2:(1) Where a director or supervisor resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance (%) shall be calculated based on the number of board meetings held and the actual attendance (times) during the term of office.

(2) Before the end of the year, in the case of re-election of directors or supervisors, both the new and old directors and supervisors shall be listed, and whether each director or supervisor is the old, new, or re-elected and the date of re-election shall be indicated in the remarks column. The actual attendance (%) is calculated based on the number of board meetings held and the actual attendance (times) during the term of office.

(II) Operations of the Audit Committee: The Company has established an Audit Committee in accordance with the law by the 24th Board of Directors since 2019.

The Audit Committee had held 4 (A) meetings in the last year, and the attendance of independent directors is as follows:

Title	Name	Actual attendance B	Number in attendance by proxy	Actual attendance rate(%) (B/ A) (Note)	Remarks
Attendance of the 1st Committee members: (For the year ended 2020; the most recent annual audit committee meeting was held 4times)					
Independent Director (Audit Committee Convener)	Hsiao-Chueh Hsieh	4	0	100%	
Independent Director (Audit Committee members)	Ming-Chu Chen	4	0	100%	
Independent Director (Audit Committee members)	Ming-Chien Tang	4	0	100%	
Other items to be recorded:					
I. The matters listed in Article 14-5 of the Securities and Exchange Act and other matters not approved by the Audit Committee shall state the date and period of the Board of Directors' meeting, the contents of the resolutions, the results of the Audit Committee's resolutions and the Company's handling of the Audit Committee's opinions: In accordance with the law, the independent directors had no objections or reservations to each of the motions for the current year.					
II. The implementation of the independent Director's recusal of the proposal of interest shall state the name of the independent Director, the content of the proposal, the reason for the recusal of interest and the circumstances of participation in voting: None.					
III. Communication between the independent Directors, the head of internal audit, and the CPA (which should include significant matters, manner and results of communication regarding the Company's financial and business conditions):					
(I) Communication between the independent directors and the accountants.					
1. The Audit Committee is composed of all independent Directors and meets regularly, with a CPA present at least once a year, to communicate and discuss various issues related to the Company's financial operations.					
2. The Audit Committee appoints an independent accountant to audit the financial statements prepared by the Board of Directors for submission to the shareholders' meeting in accordance with the "Regulations Governing the Organization of the Audit Committee" and to issue an audit report in accordance with the requirements of the Audit Committee.					
(II) Communication between the independent Directors and the head of internal audit.					
1. Amendments to the Company's "Internal Control System" and "Implementation Rules for Internal Audit" shall be submitted to the Board of Directors for resolution after approval by the Audit Committee.					
2. The assessment of the effectiveness of the Company's internal control system (including issuance of the Statement of Internal Control) is approved by the Audit Committee and submitted to the Board of Directors for resolution.					
3. The Company's Auditing Office regularly submits the internal audit reports issued by the Company to the independent Directors for review.					
4. The audit plan for the following year will be submitted to the Board of Directors for approval by the Audit Committee before the end of each fiscal year.					
5. The independent Directors and the head of internal audit meet regularly at least once a quarter to report and communicate on the status of the Company's internal audit execution and internal control operations. In addition to the audit report on the internal control system deficiencies and abnormalities found during the inspection, individual cases are followed up to ensure the relevant units take appropriate improvement measures in a timely manner.					

Note:

\* Where an independent director resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance (%) shall be calculated based on the number of Audit Committee meetings held and the actual attendance (times) during the term of office.

\* Before the end of the year, in the case of re-election of independent directors, both the new and old independent directors shall be listed, and whether each independent director is the old, new, or re-elected and the date of re-election shall be indicated in the remarks column. The actual attendance (%) is calculated based on the number of meetings of the Audit Committee held and the actual attendance (times) during the term of office.

(III) Operation of Corporate Governance and the Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
1. Has the Company formulated and disclosed the Code of Corporate Governance Practices in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"?		✓	Not formalized at present.	The current business operations of the Company is generally in line with the main spirit of sound corporate governance, except that the Company has not yet established an explicit code of corporate governance practices, and its operation is not materially different from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies.
2. Shareholding structure and shareholders' rights (1) Has the Company established internal procedures to deal with shareholders' proposals, questions, disputes and litigation matters, and implemented them in accordance with the procedures?  (2) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders who effectively control the Company?  (3) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?  (4) Has the Company established internal regulations to prohibit insiders from trading marketable securities using undisclosed information in the market?		✓	(1) To ensure the interests of shareholders, the Company has a spokesperson and a proxy spokesperson who are responsible for the proper handling of shareholders' proposals, questions and disputes.  (2) The Company provides information on the shareholders' register and the insider's shareholding change reporting system through the stock affairs agent.  (3) Each company is financially independent and its operating performance is evaluated regularly.  (4) The Company has established a code of confidentiality in the "Work Rules" for its employees, and from time to time, the Company's insiders are instructed on the prohibition of the use of non-public material information in the market to trade marketable securities.	Internal procedures will be established in the future according to the needs and actual conditions.  No difference  No difference  No difference
3. Composition and Responsibilities of the Board of Directors (1) Has the Board of Directors formulated and implemented a diversity policy regarding the composition of its members?	✓		(1) The Board of Directors is composed of members elected by the shareholders. In addition to the independence of the independent directors, the Company also nominates candidates with professional qualifications to be elected by the shareholders in accordance with the business needs of the Company. The current members of the Company's Board of Directors come from different professional fields and can provide diversified opinions to the Board.	No difference

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
(2) Has the Company voluntarily established any functional committees other than the Remuneration Committee and Audit Committee in accordance with the law?		✓	(2) The Company has established a Remuneration Committee in accordance with the law, and has established an Audit Committee in 2019. Other functional committees will be evaluated and considered in accordance with actual needs.	The Company will set up other functional committees in the future in accordance with the regulatory requirements and operational needs.
(3) Has the Company established a method for evaluating the performance of the Board of Directors and how to evaluate the performance of the Board of Directors, conducts performance evaluation annually and regularly, and reports the results of the performance evaluation to the Board of Directors and uses them as reference for an individual Director's salary and compensation and nomination for reappointment?	✓		(3) The Company has established the performance evaluation method for the Board of Directors in 2020 and has been conducting regular performance evaluation every year since 2020, and the results of the performance evaluation are reported to the Board of Directors and used as reference for individual Director's remuneration.	No difference
(4) Does the Company regularly evaluate the independence of the attesting CPA?	✓		(4) The Company regularly evaluates the independence of the attesting CPA on an annual basis. There is no need to change the attesting CPA at present, and the attesting CPA is not a related party to the Company or the Directors, so there are no concerns about the attesting CPA's independence.	No difference
4. Does the listed company have a suitable and appropriate number of corporate governance personnel and designated a corporate governance officer to be responsible for corporate governance related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with relevant laws and regulations, conducting Board and Shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?		✓	The Company has established a part-time corporate governance unit to be responsible for corporate governance-related matters.	The Company will assign a corporate governance officer as required by law in the future.

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
5. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up a stakeholder area on the company's website, and appropriately respond to important CSR issues of concern to stakeholders?	✓		Currently, a spokesperson or an acting spokesperson serves as the external contact window and the Company has established a public website.	No difference
6. Does the company appoint an independent stock affairs agency to handle the affairs of the shareholders' meetings?	✓		The Company has appointed KGI Securities Co., Ltd. to conduct shareholders' meetings.	No difference
7. Information Disclosure (1) Has the Company set up a website to disclose financial and corporate governance information?	✓		(1) The Company has established a public website to disclose information on financial operations and corporate governance on a regular basis.	No difference
(2) Has the Company adopted other methods of information disclosure (e.g., setting up an English-language website, designating a person responsible for the collection and disclosure of corporate information, implementing a spokesperson system, and placing corporate presentation sessions on the Company's website)?	✓		(2) The Company has a spokesperson and proxy spokesperson system to serve shareholders or stakeholders at all times, and has designated a person responsible for collecting information and disseminating material information to the public.	No difference
(3) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year, and announce and report its first, second and third quarterly financial statements and operations for each month well in advance of the prescribed deadline?		✓	(3) The Company announces and reports its financial statements and monthly operations within the allowable period prescribed by law.	The Company announces and reports its financial statements and monthly operations within the period prescribed by law.

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
8. Does the Company have other important information that can help with the understanding of the state of the Company's corporate governance (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, rights of interested parties, the status of continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓		<p>(1) Employee rights: The Company encourages employees to communicate directly with management and directors to appropriately reflect their opinions on the Company's operations and financial condition or on major decisions involving their interests.</p> <p>(2) Employee care: The Company has established an employee Welfare Committee in accordance with the law to provide various welfare benefits and care for employees' injuries and illnesses.</p> <p>(3) Investor relations: The Company has always attached importance to the shareholders' right to be informed, and has a spokesperson to serve the shareholders. The Company convenes shareholders' meetings on a regular basis to discuss major resolutions, and complies with the relevant regulations on information disclosure and disclosure of the Company's finance, business operations, insider shareholding and corporate governance. Information is provided to shareholders on a regular and timely basis using the Market Observation Post System (MOPS) or the website set up by the Company.</p> <p>(4) Supplier relations and stakeholder rights: The Company has a smooth communication channel with banks and other creditors, consumers, suppliers, communities or stakeholders of the Company, and welcomes and respects valuable opinions from the public to protect legitimate rights and interests.</p> <p>(5) Implementation of risk management policies and risk measurement standards: The Company has an audit office that regularly monitors the Company's operations and reports directly to the Audit Committee on a quarterly basis to assist the Audit Committee in monitoring the execution of the Company's business and the due diligence of directors and managers, and to pay attention to the implementation of the Company's internal control system so that the Audit Committee can take appropriate measures in a timely manner to prevent the expansion of possible deficiencies if they are identified, thereby reducing the Company's financial crisis and operational risks.</p> <p>(6) Implementation of customer policy: The Company makes good use of the convenience of the Internet to set up a website to receive customer complaints and actively respond to customer needs, and to maintain smooth communication management with customers.</p> <p>(7) The Company purchased liability insurance for Directors and independent Directors: The Company continued the purchase of liability insurance for Directors and independent Directors on March 11, 2021.</p>	No difference

9. Please provide information on the results of the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE) in the most recent year, and propose priorities and measures to enhance those areas that have not yet been improved.		
Improvements or Priorities and Measures for Enhancement in the 7th Annual Corporate Governance Review of 2020		
Serial No.	Evaluation Indicators	Improved situation or priority enhancements and measures
1	Has the company set up a dedicated (part-time) unit to promote corporate social responsibility, conduct risk assessment on environmental, social or corporate governance issues related to the company's operations in accordance with the principle of materiality, formulate relevant risk management policies or strategies, and disclose them on the company's website and annual report?	In the future, the Company will set up a CSR promotion unit as required by law.
2	Does the company have a corporate governance officer in charge of corporate governance-related matters, and does he/she explain on the company's website and in the annual report the terms of reference, business execution priorities for the year, and the status of continuing training and education?	The Company will assign a corporate governance officer as required by law in the future.

#### (IV) Operation of the Remuneration Committee

The Company has formally established the Remuneration Committee since December 23, 2021. Its main responsibilities and powers include formulating and regularly reviewing directors' and managers' performance evaluation and their salary and compensation policy, system, standards, and structure, while assisting the Board of Directors in implementing and evaluating the remuneration of the Company's directors and managers from a professional and objective perspective.

## 1. Information on the Remuneration Committee members

Identity (Note 5)	Conditions  Name	Have at least five years of working experience and the following professional qualifications			Independence (Note 2)										Number of members who are concurrently members of the remuneration committee of other publically listed companies	Remarks	
		Lecturer or above rank in a public or private college or university specializing in business, law, finance, accounting or related disciplines required for the Company's business	Judges, prosecutors, lawyers, accountants or other professional and technical personnel who have passed the national examinations required for the Company's business operations	Business, legal, financial, accounting or industry experience required by the Company													
Independent Director	Ming-Chu Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	
Independent Director	Ming-Chien Tang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	
Independent Director	Hsiao-Chueh Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	

Note 1: Please fill in director, independent director, or others for identity.

Note 2: If each member meets any condition below in the two years before elected and during the term of office, please place a " " in the box below each condition code.

- (1) Not an employee of the Company or its affiliates.
- (2) Not a director or supervisor of the Company or its affiliates (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary, or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (3) Not a director, spouse, minor child thereof, or other natural person shareholders who hold more than 1% of the total issued shares of the Company by nominee arrangement or with top ten ownership.
- (4) Not the manager listed in (1) or the spouse, relatives within the second degree of kinship or direct blood relatives within the third degree of kinship of the person listed in (2) and (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds more than 5% of the Company's total issued shares, who are among the top five shareholders, or who designates its representative to serve as a director or supervisor of the Company in accordance with Paragraph 1 or 2, Article 27 of the Company Act (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (6) Not a director, supervisor, or employee of another company where a majority of the Company's director seats or voting shares and those of another company are controlled by the same person (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (7) Not a director (managing director), supervisor, or employee of another company or institution where the Chairman, the President, or person holding an equivalent position of the Company and a person in an equivalent position at another company or institution are the same person or are spouses (except for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (8) Not a director (managing director), supervisor, manager, or shareholder holding 5% or more of the shares of a specific company or institution which has a financial or business relationship with the Company (except for a specific company or institution holding more than 20% and no more than 50% of the total issued shares of the Company and for an independent director engaged concurrently by the Company, its parent company, and its subsidiary or a subsidiary under the same parent company in accordance with the Act or local laws and regulations).
- (9) Not a professional individual who, or an owner, partner, director (managing director), supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the Company or any affiliate of the Company, or that provides commercial, legal, financial, accounting, or relevant services to the Company or any affiliate of the Company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Security and Exchanges Act or to the Business Mergers and Acquisitions Act or relevant laws or regulations.
- (10) No situation under any of the subparagraphs of Article 30 of the Company Act.

## 2. Information on the operation of the Remuneration Committee

(1) There are 3 members in the Company's Remuneration Committee

(2) The term of office of the members in the current term: From June 24, 2019 to June 23, 2022. Over the last year the Remuneration Committee had held 2 (A) meetings. The qualifications and attendance of the members are as follows:

Title	Name	Actual attendance B	Number in attendance by proxy	Actual attendance (%) (B/ A)(Note)	Remarks
Convener	Ming-Chu Chen	2	0	100%	
Committee Members	Ming-Chien Tang	2	0	100%	
Committee Members	Hsiao-Chueh Hsieh	2	0	100%	

Other items to be recorded:

1. If the Board of Directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date and period of the Board of Directors' meeting, the content of the resolution, the result of the Board of Directors' resolution and the Company's handling of the recommendation of the Remuneration Committee (if the compensation approved by the Board of Directors is better than the recommendation of the Compensation Committee, it shall state the difference and the reasons thereof): None.
2. If the members of the Remuneration Committee have objections or reservations to the resolutions and there are records or written statements, they shall state the date and period of the Remuneration Committee, the content of the resolutions, the opinions of all members, and the treatment of the opinions of the members: No such cases have occurred.

Note:

- (1) Where a member of the Remuneration Committee resigned before the end of the year, the date of resignation shall be indicated in the remarks column. The actual attendance (%) shall be calculated based on the number of Remuneration Committee meetings held and the actual attendance (times) during the term of office.
- (2) Before the end of the year, in the case of re-election of Remuneration Committee, both the new and old Remuneration Committee members shall be listed, and whether each member is the old, new, or re-elected and the date of re-election shall be indicated in the remarks column. The actual attendance (%) is calculated based on the number of meetings of the Remuneration Committee held and the actual attendance (times) during the term of office.

(V) Fulfillment of Social Responsibility and the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and Reasons Thereof

Evaluation Items	State of Operations		Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof	
	Yes	No		Summary Description
1. Has the Company conducted a risk assessment of environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and formulated relevant risk management policies or strategies?		✓	The management of the Company evaluates the risk assessment of environmental, social and corporate governance issues related to the Company's operations from time to time in accordance with the principle of materiality.	The Company will formulate relevant risk management policies or strategies if there is a need for management practices in the future.
2. Has the Company set up a dedicated (part-time) unit to promote corporate social responsibility, which is authorized by the Board of Directors to be handled by senior management, and to report to the Board of Directors on the handling of the situation?		✓	Based on the spirit of corporate social responsibility, for shareholders' rights, labor and human rights, supplier management, consumer rights, environmental protection, community involvement, stakeholder communication, and information disclosure, etc., the Company has proposed a corporate vision - Care About Life, Optimize Resource Use, and Contribute Back to Society. The Board of Directors has the moral and managerial duty to ensure the Company fulfills its corporate social responsibilities, and review the effectiveness of its implementation and continuous improvement from time to time to ensure the implementation of the CSR policy.	The Company actively practices corporate social responsibility and places much emphasis on promoting balanced and sustainable development of the economy, society and the environment and ecology in its vision, which is in line with the relevant provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies. In the future, the Company will develop a corporate social responsibility policy or system depending on actual needs.
3. Environmental Issues				
(1) Has the Company established a suitable environmental management system according to the characteristics of its industry?	✓		(1) We are committed to maintaining the environment inside and outside the factory, and all environmental and environmental protection are in compliance with the relevant laws and regulations.	No difference
(2) Is the Company committed to improving the efficiency of the utilization of various resources and using recycled materials with lower environmental impact?	✓		(2) We actively use our resources efficiently to reduce waste and cost.	No difference
(3) Does the Company assess the potential risks and opportunities of climate change for the business now and in the future and take measures to address climate related issues?	✓		(3) In order to save water resources and energy consumption, we are continuously promoting energy conservation at our plants, focusing mainly on electricity saving measures, and have started a comprehensive energy saving program.	No difference

Evaluation Items	State of Operations		Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof	
	Yes	No		Summary Description
(4) Does the Company keep statistics on greenhouse gas emissions, water consumption and total tonnage of waste for the past two years, and develop policies for energy saving and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	✓		(4) The Company is not a high energy-consuming industry and does not install or use facilities that generate large amounts of greenhouse gas . The office area actively promotes energy saving and carbon reduction campaigns, encourages waste separation and recycling and the use of eco-friendly reusable utensils and mugs to reduce the impact on the environment.	No difference
4. Social Issues				
(1) Has the Company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights treaties?	✓		(1) The Company has established "code of conduct" for its employees, and has made legal arrangements and contributions to labor health insurance and other insurance premiums, employee retirement reserve and employee benefits, etc. and has an employee welfare committee to oversee and protect the rights and interests of employees. For the promotion of Company policies and the understanding of employees' opinions are carried out in an open two-way communication way.	No difference
(2) Has the Company established and implemented reasonable employee benefit measures (including compensation, vacation and other benefits, etc.) and appropriately reflected operational performance or results in employee compensation?	✓		(2) The Company has established comprehensive rules and regulations, including employee evaluation, education and training, year-end bonuses, work rules, etc., to clarify the effective reward and disciplinary system .	No difference
(3) Does the Company provide a safe and healthy work environment for employees and implement regular safety and health education for employees?	✓		(3) The Company provides annual health checkups for employees and in order to achieve the goal of zero occupational hazard, and the Company prepares an annual occupational hazard prevention plan at the end of each year, and then formulates a detailed implementation plan based on the contents of the occupational hazard prevention plan. The relevant business units will execute the plan according to the schedule and content, and reduce the risk of hazards in the business unit year by year to achieve the ultimate goal of zero workplace disasters.	No difference
(4) Does the Company have an effective career development program for employees?	✓		(4.) The Company assigns relevant employees to accept further training and education provided by competent authorities from time to time.	No difference
(5) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant consumer protection policies and complaint procedures?		✓	(5) The Company follows relevant regulations and international standards for product development, service, marketing and labeling.	If there is a need for management practices in the future, the Company will establish relevant consumer rights policies and grievance procedures.

Evaluation Items	State of Operations			Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof
	Yes	No	Summary Description	
(6) Does the Company have a supplier management policy that requires suppliers to follow relevant regulations on issues such as environmental protection, occupational safety safety and health or labor human rights, and how is it implemented?	✓		(6) The Company regularly evaluates its major suppliers and will terminate contracts immediately if they violate its corporate social responsibility standards and are deemed to have a significant environmental and social impact.	No difference
5. Does the Company make reference to international standards or guidelines for the preparation of reports, such as corporate social responsibility reports, which discloses non-financial information about the company? Did the Company obtain confirmation or assurance from a third-party verifier for the preceding report?		✓	The Company is not an enterprise that is required by law to prepare a CSR report.	In the future, depending on the needs of the competent authorities or laws and regulations, the Company will compile and disclose information in accordance with the law.
6. If the Company has established its own CSR policies in accordance with the " Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies ", please state the differences between its operation and the Code: The Company has not yet established a CSR Code of Practice, but the actual operation is no different from the Code.				
7. Other important information to help understand the operation of corporate social responsibility:				
Serial No.	Objective/Target	Program	Implementation status	
1	Installation of leakage protection device and power cord protection line	Wire (Cable) Leakage Improvement Program	Installing leakage protection device and power line protection piping to prevent power line leakage.	
2	Markings with "No Fire and Smoke" to comply with the fire- protection facility regulations and established a hot work operation permit mechanism.	Hot Work Approval and Safety Enhancement Program	Contractors and public works units are required to fill out a permit to start hot work in the plant, and the work is supervised by special personnel during construction.	
3	Contractor Occupational Safety and Health Management	Contractor Occupational Safety and Health Management Improvement Program	The construction workers are required to complete safety and health education and training before entering the plant and record it, and strengthen supervision and operation inspection when entering the plant.	
4	Occupational Disaster Investigation and Analysis Management	Collect and analyze reports of previous occupational accidents	Based on the analysis results, protection improvement and hazard education reminders for operators.	
5	Safety and Health Education and Training	Report requirements according to annual education and training plan	Units apply and arranges training and control reminders.	

(VI) Status of the Ethical Corporate Management and the Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Items	Operating Conditions (Note )		Differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No	
1. Establishing policies and programs for ethical corporate management			
(1) Does the Company have an ethical management policy approved by the Board of Directors, and does the Company express its policy and practices on ethical management in its bylaws and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the management policy?		✓	(1) The Company from time to time instructs all employees to conduct the Company's business with ethical integrity and in compliance with governmental laws and regulations.
(2) Does the Company establish a mechanism to assess the risk of unethical behavior, regularly analyze and evaluate business activities within the scope of business that have a higher risk of unethical behavior, and establish a plan to prevent unethical behavior accordingly, and cover at least the preventive measures for each act in Article 7, Paragraph 2 of the " Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies "?	✓		(2) To prevent unethical behavior, the Company reinforces its efforts to promote compliance with governmental laws and regulations and ethical conduct in all business activities.
(3) Does the Company specify the operating procedures, guidelines for conduct, disciplinary and grievance systems for non-compliance in its unethical behavior prevention program, implement them, and regularly review and revise the previously disclosed program?		✓	(3) The Company institutes programs to prevent unethical behavior, and reinforces the message that employees should comply with governmental laws and regulations and ethical codes of conduct when engaging in any business activity.
2. Implementing Corporate Ethical Management			
(1) Does the Company evaluate the integrity of records of its counterparties and specify the terms of ethical behavior in the contracts it signs with its counterparties?	✓		(1) The Company conducts regular supplier evaluations annually and will refuse to deal with suppliers with a record of unethical behavior.
			In the future, the Company will establish an honest management policy approved by the Board of Directors in accordance with the regulations.
			No difference
			The Company will formulate plans to prevent dishonest and unethical behavior in accordance with laws and regulations.
			No difference

Evaluation Items	Operating Conditions (Note )		Summary Description	Differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons
	Yes	No		
(2) Does the Company have a dedicated unit under the Board of Directors to promote corporate ethical principles, and report to the Board of Directors on a regular basis(at least once a year)on its integrity management policies and plans to prevent unethical practices and monitor their implementation?		✓	(2) The Company has not yet established and promoted a dedicated (part-time) unit for ethical corporate management.	In the future, depending on the size of the business and actual needs, the Company will set up a full-time (or part-time) organizational unit.
(3) Does the company have a conflict-of -interest prevention policy, provide a channel for proper representation, and implement it?	✓		(3) The Company has established policies intended to prevent conflicts of interest and provides appropriate channels for employees to provide information and report any unethical behaviors at any time.	No difference
(4.) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and has the internal audit unit prepared a relevant audit plan based on the assessment results of the risk of unethical acts, and reviewed the compliance of the unethical behavior prevention plan accordingly, or appointed an accountant to perform an audit?	✓		(4) The Company established an accounting system in accordance with the relevant laws and regulations and with the international accounting standards, interpretations and explanatory pronouncements approved by the Financial Supervisory Commission, taking into account the characteristics of the industry, so that the Company's accounting matters, (including accounting certificates, accounting books, classification of accounting items, types of financial statements and various accounting standards and procedures, etc. ) can be followed in line with accepted standards, ensuring that accurate and reliable accounting information can be provided on a regular basis for the management's reference. Through the implementation of the procedures and regulations related to the accounting system, the Company's operating activities can be operated in accordance with strict operational regulations, so that all operations can be collated with each other to prevent the occurrence of malpractice and safeguard the safety of the Company's assets. The Company designs and implements an internal control system taking into account the overall operational activities and reviews it from time to time in response to changes in the Company's internal and external environment to ensure that the system is designed and implemented in an effective manner. In accordance with the audit plan, internal auditors may conduct on-site audits at the audited units on a regular or irregular basis, and may request the audited units to submit documents, books, and certificates for documentary reference, and if necessary, conduct project audits on specific topics, and submit audit reports with working drafts and related information to the Board of Directors.	No difference

Evaluation Items	Operating Conditions (Note )		Differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons	
	Yes	No		Summary Description
(5) Does the company regularly conduct internal and external education and training on ethical management?		✓	(5) The Company shall make timely presentations to Directors, officers, employees or persons with substantial control to understand the Company's commitment to ethical corporate management, relevant policies, preventive programs for unethical behavior and the consequences of a breach of ethical standards.	In the future, the Company will regularly conduct internal and external education and training on ethical management in accordance with the law.
3. The Company's whistleblower system (1) Does the Company have a specific whistleblower and reward system, and has it established a convenient whistleblower channel and assigned appropriate staff to receive whistleblowing reports?		✓	(1) The Company has multiple information distribution channels and related disciplinary measures for violators. For unethical acts that have occurred, the Company instructs the relevant business units to review the relevant internal control systems and operating procedures and propose improvement measures to prevent the recurrence of the same acts.	No "Measures for handling cases of reporting illegal and unethical or dishonest behavior" has been established by the Company as of present.
(2) Does the Company have standard operating procedures for the investigation of whistleblowing matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?		✓	(2) If the Company discovers or receives reports of unethical conduct by its personnel, and if it is confirmed that such conduct is in violation of the relevant laws and regulations or the Company's policies and regulations on ethical corporate management, the Company shall immediately request the violator to stop the relevant conduct and enforce disciplinary measures as appropriate. If deemed necessary, the Company shall seek damages through legal proceedings in order to protect the Company's reputation and rights.	In the future, the Company will establish standard operating procedures for the investigation of reported cases in accordance with the law.
(3) Does the Company take measures to protect whistleblowers from improper treatment as a result of reporting unethical behavior?	✓		(3) The Company shall exercise due diligence to protect the confidentiality of the whistleblower, who shall not be subject to improper disposal as a result of the act of reporting unethical behavior.	No difference
4. Enhancing Information Disclosure Does the Company disclose its Ethical Code of Conduct and effectiveness of measures on its website and Market Observation Post System (MOPs)?		✓	The Company has not yet disclosed the information related to Ethical Corporate Management Best Practice Principles on the Company's website. However, from time to time, the Company has reminded its employees of ethical behavior best practices through announcements on internal bulletin boards and email.	The Company will establish relevant regulations according to actual operating conditions and scale.
V. If the Company has its own Ethical Code of Conduct established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies ", please describe the differences between the two: The Company has not yet established an "Ethical Code of Conduct".				
VI. Other important information to help understand the Company's ethical operations (e.g., the Company reviews and sets its own Ethical Code of Conduct) : From time to time, the Company makes announcements on the Company's bulletin board to remind employees to pay attention to their ethical behavior.				

(VII) If the Company Has Formulated the Corporate Governance Best Practice Principles and Relevant Regulations, the Inquiry Methods Shall be Disclosed:

None

(VIII) Other Important Information That Facilitates Better Understanding of the Operation of the Company's Corporate Governance May Be Disclosed Together:

None

(IX) Disclosure of Necessary Matters Related to the Implementation of the Internal Control System

1. Statement of the Internal Control System

Shihlin Paper Co., Ltd.  
Statement of the Internal Control System

Date: March 19, 2021

The results of self-evaluation of the Company's internal control system in 2020 is hereby disclosed below:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and managers, and therefore the Company has established such a system. It aims to provide reasonable assurance about the achieving of the goals of operational effectiveness and efficiency (including profit, performance, and asset security protection), reporting reliability, timeliness, and transparency, as well as compliance with relevant laws and regulations.
- II. The internal control system has its inherent limitations. No matter how complete the design is, an effective internal control system can only provide reasonable assurance about the achieving of the three goals above; also, due to changes in the environment and conditions, the effectiveness of the internal control system may vary. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company exercise judgment on whether the design and implementation of the internal control system are effective based on the items used to judge the effectiveness of the internal control system stipulated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items adopted in the Regulations to judge the effectiveness of the internal control system in the "Regulations" are based on the process of management control, and the internal control system is divided into five elements: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervisory operations. Each element includes a couple of items for said items, please refer to the Regulations.
- IV. The Company has adopted said judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believes that its internal control system (including supervision and management of subsidiaries) as of December 31, 2020, including understanding of the effectiveness of the operations and the extent to which efficiency goals are achieved, and the reporting are reliable, timely, transparent, and the relevant design and implementation of the internal control system regarding compliance with relevant laws and regulations are effective; therefore, it can provide reasonable assurance about the fact that it has achieved the goals above.

- VI. This statement will be included in the main content of the Company's annual report and prospectus, and will be made available to the public. Where there are false or concealed contents in the statement above, the Company shall be legally liable under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Company's Board of Directors on March 19, 2021. Among the seven directors present, all of them approved the content of this statement without any of them expressing objections. It is hereby certified that the information disclosed herein is true and correct.

Articles of Incorporation of Shihlin Paper Co., Ltd. Signature

Person in Charge: Tai Shih Trading Co., Ltd. Signature

President: Cheng-Che Tsai

2. Where CPAs are appointed to conduct ad-hoc review of the internal control system, the review report issued by the CPAs shall be disclosed:

None.

- (X) In the Last Year and As of the Publication Date of the Annual Report, Where the Company and Its Internal Personnel Have been Imposed with Any Penalty in Accordance with the Law, or the Company Has Imposed Any Penalty on Its Internal Personnel for Violating the Provisions of the Internal Control System, and the Results of Said Penalty May Have a Material Impact on Shareholders' Equity or Securities Prices, the Details of Said Penalty, Main Deficiencies, and Improvements Shall be Specified: None.
- (XI) Important Resolutions of the Shareholders' Meetings and Board of Directors in the Last Year and As of the Publication Date of the Annual Report:

1. Important resolutions of the shareholders' meeting:

Time	Recognitions and Resolutions
2020 Annual General June 18, 109	The following matters are recognized: 1. Proposal: To recognize the 2019 financial report. Resolution: Passed by means of electronic and on-site voting. 2. The Board of Directors of the Company recognizes the appropriation of losses for the year ended December 31, 2019 and requests the Board of Directors to recognize the appropriation. Resolution: Passed by means of electronic and on-site voting. Discussion Items: None Other Motions: None

2. Important resolutions of the Board of Directors:

Time	Resolutions
The 6th Meeting of the 24th Board of Directors May 6, 2020	Proposal: To amend the Company's [Remuneration Committee Organizational Regulations] and submit for approval.
	The motion: To revise the contents of the Company's FY2019 Annual Business Report and submit for approval
	Resolution: Approved by the Chairman after consulting all Directors and independent Directors present.
The 7th Meeting of the 24th Board of Directors August 10, 2020	Proposal: Propose to reduce the Company's loan amount to its subsidiary Sunshine Shihlin Development Co., Ltd. from 400 million to 200 million.
	Resolution: Approved by the Chairman after consulting all Directors and independent Directors present.
	Proposal: The remuneration of corporate representatives is proposed for discussion.
	Resolution: The Chairman of Tai Shih Trading Co.,Ltd., Mr. Chen, Po-Ting, has declared his personal interest in this case and has recused himself from the meeting. The Directors present at the meeting jointly elected Chen, Chih-Yuan, the representative of Yixiang Industrial Company Limited, as the acting chairman. The Acting Chairman consulted all Directors and independent Directors present and approved the resolution without objection.
The 8th Meeting of the 24th Board of Directors November 9, 2020	Proposal: To review the policy, system, standard and structure of performance evaluation and salary compensation for Directors and managers of the Company for FY2020, and to propose for approval.
	Proposal: To submit the proposed [Procedures of Board of Directors' Performance Evaluation] for approval.
	Proposal: To prepare the Company's audit plan for FY2021.
	Resolution: Approved by the Chairman after consulting all Directors and independent Directors present.
The 9th Meeting of the 24th Board of Directors December 15, 2020	Proposal: To evaluate the current compensation and performance targets of the Company's managers for FY2020, and to propose the contents and amounts of individual compensation in accordance with the compensation system and rules for managers approved by the first meeting of the 4th Remuneration Committee.
	Proposal: The Company's FY2021 annual budget is submitted for approval.
	Resolution: Approved by the Chairman after consulting all Directors and independent Directors present.
The 10th Meeting of the 24th Board of Directors March 19, 2021	Proposal: The Company's annual loss appropriation for FY2020 is proposed for approval.
	Proposal: To set up the annual shareholders' meeting of the Company for FY2021, and propose for approval.
	Proposal: To prepare the Statement of Internal Control for FY2020 and propose for approval.
	Resolution: Approved by the Chairman after consulting all Directors and independent Directors present.

(XII) In the Last Year and As of the Publication Date of the Annual Report, Where the Directors or Supervisors Have Different Opinions on Important Resolutions Passed by the Board of Directors on Records or in a Written Statement, the Main Content Shall be Specified: None.

(XIII) An Aggregate Information on the Resignation and Dismissal of the Company's Chairman, President, Accounting Manager, Financial Manager, Chief Internal

Auditor, Corporate Governance Officer, and R&D Manager in the Last Year and As of the Publication Date of the Annual Report: None.

## V. Information on CPAs' Audit Fees:

Name of Accounting Firm	Name of Attesting CPAs		Audit Period	Remarks
Earnest & Co.,CPAs.	Hung, Yu-Ling	Hsiang, Wen-Ting	109.01.01~109.12.31	

Unit: NTD thousand

Range		Fee Amount	Audit fees	Non-audit fees	Total
	Less than NT\$2,000,000		✓	✓	✓
	NT\$2,000,000(inclusive) NT\$4,000,000				
	NT\$4,000,000 (inclusive)~ NT\$6,000,000				
	NT\$6,000,000 (inclusive)~ NT\$8,000,000				
	NT\$8,000,000 (inclusive)~ NT\$10,000,000				
	NT\$10,000,000 (inclusive)or more				

- (I) Where the Non-audit Fees Paid to the CPAs, the CPA Firm, and Its Affiliates Are More than One-fourth of the Audit Fees, the Amount of the Audit and Non-audit fees and the Content of the Non-audit Services Shall Be Disclosed: None.
- (II) Where the CPA Firm is Replaced and the Audit Fees Paid During the Year in Which Replacement Occurs Are Less than Those in the Prior Year, the Amount and Reasons for the Audit Fees Before and After the Replacement Shall Be Disclosed: None.
- (III) Where the Audit Fees Are Reduced by at Least 10% Compared with the Prior Year, the Amount of the Decrease, Percentage, and Reason: None.

## VI. Information on CPA Replacement:

The financial statements were originally certified by Yu-Ling Hung and Min-Chih Cho, who were replaced by Yu-Ling Hung and Wen-Ting Hsiang since the first quarter of 2020 due to the need for adjustment to the internal operations of Earnest & Co., CPAs.

## VII. Where the Company's Chairman, President, or Managers in Charge of Financial or Accounting Affairs Have Worked in the CPA Firm at Which the CPAs Appointed Work or Its Affiliates Within the Last Year, Their Name, Title and the Period of Work at Said CPA Firm or Its Affiliates Shall be Disclosed The "affiliate of said CPA firm" refers to a company, in which CPAs at said CPA firm hold more than 50% of the shares or occupy more than half of the board seats, or a company that the CPA firm lists as an affiliate in the data published or printed for the public: N/A

## VIII. In the Last Year and As of the Publication Date of the Annual Report, Equity Transfer and Changes in Pledged Equity by Directors, Supervisors, Managers, and Shareholders Whose Shareholding Ratio Exceeds 10%:

Title (Note 1)	Name	2020		As of April 9, 2021	
		Increase (Decrease) in the number of shares held	Increase (decrease) in pledged shares	Increase (Decrease) in the number of shares held	Increase (decrease) in pledged shares
Chairman	Tai Shih Trading Co., Ltd.	0	0	(3,000)	0
Director	Yee Tzao Enterprise Co., Ltd.	0	0	0	0
Director	Yi Hsiang Industrial Co.,Ltd.	0	0	0	0
Supervisor	Taiwan Evervaliant Corp.	0	0	0	0
Independent Director	Ming-Chu Chen	0	0	0	0
Independent Director	Ming-Chien Tang	0	0	0	0
Independent Director	Hsiao-Chueh Hsieh	0	0	0	0
President	Tsai, Cheng-Che	0	0	0	0
Vice President	Chen, Mei-Ru	0	0	0	0
Vice Manager	Lin, Ni-Ru	0	0	0	0

Note 1: Shareholders holding more than 10% of the Company's total outstanding shares shall be indicated as major shareholders and listed separately.

Note 2: Where the counterparty of an equity transfer or equity pledged is a related party, the table below shall be filled out: None.

**IX. Information on the Top Ten Shareholders with the Highest Shareholding Ratio are Related Parties, Spouse, or Relatives Within Second Degree of Kinship to Each Other:**

April 9, 2021

Name(Note1)	Shares Held		Shares currently held by spouse and offspring (minors)		Total shareholdings held in the name of others		The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses or second-degree relatives. (Note 3)		Remarks
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio	Name (or name)	Relation	
Wan Hai Charitable Foundation Representative: Chen, Po-Ting	18,150,259 3,884,108	6.98% 1.49%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Tai Chuan Investment Co., Ltd. Representative: Chen, Cheng-Chi	17,986,525 6,210,389	6.92% 2.39%	0 0	0% 0%	0 0	0% 0%	None Cheng-Ti Chen	None Siblings	
Yeong Yi Asia Corp. Representative: Chen, Zhi-Yuan	16,521,434 751,826	6.35% 0.29%	0 263,319	0% 0.10%	0 0	0% 0%	None None	None None	
Taiwan Evervaliant Corp. Representative: Chen, Ching-Chi	12,674,381 10,110,883	4.87% 3.89%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Shui-Cheng Tu Ching-Chih Chen	12,625,000 10,110,883	4.86% 3.89%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Cheng-Ti Chen	9,011,204	3.47%	0	0%	0	0%	Chen, Cheng-Chi	Siblings	
Liuhe Investment Co., Ltd. Representative: Chiu, Yun-Yu	8,800,000 0	3.38% 0%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Pictet Bank Investment Account under custody of HSBC Bank	8,748,346	3.36%	0	0%	0	0%	None	None	
Che-I Lin	8,072,437	3.10%	0	0%	0	0%	None	None	

Note 1: All the top ten shareholders shall be listed. In the case of corporate shareholders, the names of the corporate shareholders and the names of their representatives shall be listed separately.

Note 2: The shareholding ratio refers to the shareholding ratios of oneself and by nominee arrangement, including spouse and minor children.

Note 3: For the shareholders listed above, including juridical and natural persons, their relationship between each other in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be disclosed.

**X. The Number of Shares Held by the Company, Its Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Combined Shareholding Ratio Shall be Calculated**

April 9, 2021; Unit: Share; %

Reinvestment Business (Note)	Investments by the Company		Directly or Indirectly Controlled Businesses and Investments of Company Directors, Supervisors,		Consolidated Investments	
	Shares	Shares Ratio	Shares	Shares Ratio	Shares	Shares Ratio
Shihlin Environment Corporation	1,500,000	100.00%	0	0.00%	1,500,000	100.00%
Sunshine Shihlin Development Co., Ltd.	200,100,000	100.00%	0	0.00%	200,100,000	100.00%
Sunnyfield Shihlin Co., Ltd.	20,000,000	100.00%	0	0.00%	20,000,000	100.00%
Da Di Urban Renewal Construction Co., Ltd.	100,000	100.00%	0	0.00%	100,000	100.00%

Note: The Company's Investment under Equity Method

# Information on Capital Raising Activities

## I. Capital and Shares

### (I) Sources of capital

Unit: Share; NTS

Year Month	Issue price	Authorized capital		Paid-in capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Where property other than cash is adopted as the share payments	Others
1994.09.03	10	250,000,000	2,500,000,000	202,706,600	2,027,064,600	Capitalization of earnings by NTS\$156,636,810	None	
						Capitalization of capital surplus by NTS\$27,641,790		
1995.09.24	10	250,000,000	2,500,000,000	207,774,122	2,077,741,220	Capitalization of earnings by NTS\$50,676,620	None	
1997.08.31	10	250,000,000	2,500,000,000	222,941,633	2,229,416,330	Capitalization of capital surplus by NTS\$151,675,110	None	
1999.08.31	10	250,000,000	2,500,000,000	240,776,964	2,407,769,640	Capitalization of capital surplus by NTS\$178,353,310	None	
2001.09.01	10	280,000,000	2,800,000,000	260,039,121	2,600,391,210	Capitalization of capital surplus by NTS\$192,621,570	None	

Note 1: The data for the current year up to the publication date of the annual report shall be entered.

Note 2: The effective (approved) date and the document number for capital increase shall be indicated: None.

Note 3: Those who issue shares below the par value shall be marked conspicuously: None.

Note 4: If the money claims and similar techniques are used as payment for shares, it shall be indicated, and the type and amount of such techniques shall be specified: None.

Note 5: In the case of private placement, it shall be marked conspicuously: None.

Type of shares	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	260,039,121	19,960,879	280,000,000	

Note: Listed stocks in circulation.

### (II) Structure of shareholders

April 9, 2021

Structure of shareholders Quantity	Government agency	Financial institution	Other juridical persons	Individual	Foreign institution and individual	Total
Number of people	0	1	159	25,815	39	26,014
No. of shares held	0	1,080	118,340,592	103,809,814	37,887,635	260,039,121
Shares Ratio	0.00%	0.00%	45.51%	39.92%	14.57%	100.00%

Note: For TWSE- (TPEX-) primary listed foreign companies, the proportion of their shares held by the entities in mainland China shall be disclosed. The entities in mainland China refers to the people, juridical persons, organizations, other institutions, or companies in a third regions as stipulated in Article 3 of the Regulations on the Permits for People from Mainland China to Invest in Taiwan.

## (III) Equity Distribution

April 9, 2021

Range of Shareholdings	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	20,140	1,000,766	0.38%
1,000 to 5,000	4,496	8,965,592	3.45%
5,001 to 10,000	647	5,159,514	1.98%
10,001 to 15,000	210	2,707,307	1.04%
15,001 to 20,000	123	2,271,191	0.87%
20,001 to 30,000	106	2,711,653	1.04%
30,001 to 40,000	60	2,124,314	0.82%
40,001 to 50,000	47	2,176,326	0.84%
50,001 to 100,000	73	5,260,478	2.02%
100,001 to 200,000	37	5,305,386	2.04%
200,001 to 400,000	25	6,970,281	2.68%
400,001 to 600,000	5	2,302,340	0.89%
600,001 to 800,000	3	2,240,826	0.86%
800,001 to 1,000,000	4	3,517,786	1.35%
1,000,001 or more	38	207,325,361	79.74%
Total	26,014	260,039,121	100.00%

(IV) List of major shareholders: The names of shareholders holding at least 5% of the shares or the top ten shareholders with the highest shareholding ratios

April 9, 2021

Name of major shareholder	Shares	No. of shares held	Percentage of Shareholding
Wan Hai Charitable Foundation		18,150,259	6.98%
Tai Chuan Investment Co., Ltd.		17,986,525	6.92%
Yeong Yi Asia Corp.		16,521,434	6.35%
Taiwan Evervaliant Corp.		12,674,381	4.87%
Shui-Cheng Tu		12,625,000	4.86%
Ching-Chih Chen		10,110,883	3.89%
Cheng-Ti Chen		9,011,204	3.47%
Liuhe Investment Co., Ltd.		8,800,000	3.38%
Pictet Bank Investment Account under custody of HSBC Bank		8,748,346	3.36%
Che-I Lin		8,072,437	3.10%

(V) Market price, net worth, earnings, and dividend per share, and relevant information in the last two years

Item		Year		As of March 31, 2021 (Note 8)
		2019	2020	
Market price per share (Note 1)	Highest	36.55	94.20	61.40
	Lowest	29.60	25.20	47.10
	Average	32.18	53.02	52.76
Net worth per share (Note 2)	Before distribution	9.69	13.12	13.76
	After distribution	9.69	13.12	13.76
Earnings per Share	Weighted average number of shares	260,039,121	260,039,121	260,039,121
	Earnings per share (Note 3)	(0.69)	(0.52)	0.38
Dividend per share	Cash dividend	0.00	0.00	0.00
	Stock dividend	0	0.00	0.00
	dividend	0	0.00	0.00
	Cumulative unpaid dividends (Note4)	0.00	0.00	0.00
Return on investment analysis	Price-to-earning ratio (Note5)	(46.64)	(101.96)	138.84
	Price to dividend ratio (Note6)	-	-	-
	Cash dividend yield (Note7)	0.00	0.00	0.00

\*In the case of capitalization of earnings or capitalization of capital surplus, the information on market price and cash dividend that is retrospectively adjusted according to the number of outstanding shares shall be disclosed. .

Note 1: List the highest and lowest market prices of common stocks for each year, and calculate the average market prices for each year based on the transaction value and volume for each year.

Note 2: Please enter the number of outstanding shares at the end of the year based on what is resolved by the shareholders' meeting in the following year.

Note 3: In the case of retrospective adjustment due to stock dividends, the earnings per share before and after the adjustment shall be entered.

Note 4: Where the equity-based securities issue conditions stipulate that the dividends not paid in the current year will be accumulated to the year when there is a surplus, the amount of the dividends accumulated and not paid up to the current year shall be disclosed separately.

Note 5: Price-to-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the year.

Note 8: The net value per share and earnings per share should be filled in with the information verified (reviewed) by an accountant as of the date of publication of the annual report; the remaining fields should be filled in with the data of the current year ending on the date of publication of the annual report.

(VI) The Company's dividend policy and implementation status:

1. Dividend per share

Item		Year	
		2019	2020
Cash dividend		0	0
Stock dividend	Stock dividend from retained earnings	0	0
	Stock dividend from capital surplus	0	0
Cumulative unpaid dividends		0	0

2. Dividend policy

Where there is a surplus in the Company's annual final accounts, the Company shall first pay taxes and compensate the accumulated losses; then, appropriate 10% of the balance for legal reserve and another 10% for the payment for dividends. If there is still a surplus, the shareholders' meeting shall decide on the distribution of shareholders' dividends.

The Company's industrial environment is ever-changing and it is at a stage of development. The Company shall consider the overall industrial environment and take into account the long-term financial planning and future capital needs to achieve stable development and sustainable operation.

The Company's dividend policy is based on the current year's profitability and the consideration for the Company's future growth, capital budgeting, and measurement of capital needs. After the Company retains earnings or reserves the fund needed for stock dividends, the remaining surplus will be allocated for cash dividends.

(VII) The impact of the stock dividend proposed for the shareholders' meeting on the Company's operating performance and earnings per share: None

(VIII) Employee compensation and remuneration of directors and supervisors:

1. The percentage of the employee compensation and the remuneration of directors and supervisors or scope thereof stipulated in the Articles of Incorporation:

Where the Company makes a profit at the end of the year, it shall allocate 1% of the balance for employee remuneration. However, where there are accumulated losses, an equivalent amount shall be appropriated to compensate for the losses.

Employees entitled to receive the employee remuneration, distributed in the form of stock or cash, in the preceding paragraph include the employees of subordinate companies who meet certain criteria.

Where there is a surplus in the Company's annual final accounts, the Company shall first pay taxes and compensate the accumulated losses; then, appropriate 10% of the balance for legal reserve and another 10% for the payment for dividends. If there is still a surplus, the shareholders' meeting shall decide on the distribution of shareholders' dividends.

2. The basis for estimation of the amount of employee compensation and remuneration of directors for the current period, the basis for calculation of the number of shares for employee compensation distributed in stock, and the accounting treatment when the actual amount distributed is different from the estimated amount: The Company was in loss for 2020, so employee bonuses and directors' remuneration were not estimated.

3. Remuneration allocation approved by the Board of Directors: None.

4. In the case of any difference between the employee compensation and remuneration of directors and supervisors actually distributed for the prior year and the employee compensation and remuneration of directors and supervisors recognized, and the amount of differences, reasons, and treatment shall be specified: The Company was in loss in 2019, so no employee compensation and remuneration of directors and supervisors was estimated for 2019, the disclosure of information on employees and the like do not apply to the Company.

(IX) Repurchase of the Company's shares: None.

**II. Issue of corporate bonds:** None.

**III. Issue of preferred stock:** None.

**IV. Issue of overseas depositary receipts:** None.

**V. Issue of employee stock warrants:** None.

**VI. Issue of new shares for mergers and acquisitions of or transfer of shares from another company:** None.

**VII. The implementation of the fund utilization plan:** None.

# Overview of Operations

## I. Information on Business:

### (I) Scope of business:

#### 1. Baby Lion:

- (1) Business of products under its own brand, including wet wipes, anti-mosquito products, and baby wash and care products.
- (2) Sales of paper towels, anti-mosquito products, and baby wash and care products.
- (3) The promotion and development of mini packet pack collection of wet wipes, private napkin, anti-mosquito products, and baby wash and care products.

#### 2. Skin care products:

- (1) Business of the skin care products under its own brand of skin care Forest Beauty
- (2) Sales of facial mask and relevant skin care products.
- (3) Promotion and development of products of the Forest Nut plant extract collection and basic skin care products.

#### 3. Investment in relevant businesses and the businesses under the Statute for the Encouragement of Investment.

#### 4. Commissioning of builders to build commercial buildings, public housing projects, leasing, and sales.

#### 5. Hotel rental business.

### (II) Overview of Industry:

#### 1. Baby Lion:

- (1) Despite the impact of declining birthrates, to meet parents' requirements for baby products, the Company has developed natural, safe, and effective products with potential rapidly, including anti-mosquito products and baby wash and care products; also, it has introduced adult wet wipes and women private cleaning wet wipes, as well as alcohol wipes launched in 2020, to provide more protective and safe home products.
- (2) Due to the rising awareness of environmental protection, the government has paid more attention to the cleanliness of the home environment; thus, the Company will not only focus on good quality but environmental protection in the future; pollution reduction is even an important trend.
- (3) Due to changes in lifestyles and usage habits, the objects of use of products gradually tend to have special needs for personal cleaning and household cleaning of different groups. As the demand for products in the market continues to grow, the

Company has continued to produce differentiated products with higher quality, occupying a major share in the market demand in Taiwan and Asia.

- (4) The correlation between upstream, mid-stream, and downstream sections of the industry:

Factories→inspection factories→distribution channels→consumers

2. Skin care products:

- (1) The skin care product market is ever-changing with new products introduced, and consumers like to try new facial masks. Thus, Forest Beauty has launched different series of new products for different needs. With the differentiated mask fabrics, the formula of the facial mask essences that meet the market needs are selected. The Company is also gradually expanding its business in the skin care product market, and has developed suitable skin care products for each age group based on the differences in distribution channels and consumer groups so as to increase profits and expand the market share.

- (2) The correlation between upstream, mid-stream, and downstream sections of the skin care products industry:

Skin care product ODM/OEM (including self-inspection) → advanced laboratory inspection → distribution channels → consumers

3. Hotel business:

At present, the population of booking accommodation on the Internet is increasing rapidly and the growth is significant around the world. E-commerce has become the largest market. Consumers are becoming more accustomed to ordering products or comparing prices on the Internet. The competition in the domestic tourism industry has become increasingly fierce. Faced by the increasingly competition in the industry, the Company continues to strengthen its software services to increase the overall revenue.

(III) Overview of Technology and R&D:

At present, there are 9 facial mask product series, 2 skin care product series, 1 makeup remover product, and 1 sunscreen product series under Forest Beauty, plus the additional items of the Forest Nut tea collection to be launched next quarter, totaling 49 items. There are also 8 types of wet wipes, 5 types of toiletries series, and 4 types of anti-mosquito series under the Baby Lion collection, including the big children wash series to be launched in the next quarter, totaling 23 items.

1. In order to export products smoothly, the Company also actively sends existing products to various countries for product verification. At present, its products have passed international tests with official registration obtained, or its products have been put on record:

Product Name	Registration Agency	No.	Country
24K Gold & Collagen Lifting Bio Cellulose Mask	CPNP Reference	3080106	European Union
Calendula & Centella Soothing Bio Cellulose Mask	CPNP Reference	3080176	European Union
Hyaluronic Acid Intensive Moisturizing Bio Cellulose Mask	CPNP Reference	3080203	European Union
Peptides & Orchids Extract Anti-Ageing Bio Cellulose Mask	CPNP Reference	3080218	European Union
Luxurious Golden Foil Royal Jelly Advanced Hydration Mask	CPNP Reference	3080231	European Union
Luxurious Golden Foil Royal Jelly Rejuvenating Mask	CPNP Reference	3080472	European Union
Luxurious Silver Foil Swiss Ice Wine Firming & Lifting Mask	CPNP Reference	3080478	European Union
Luxurious Silver Foil Swiss Ice Wine Moisture Boost Mask	CPNP Reference	3080700	European Union
Forest Beauty Swiss Ice Wine Moisture Boost Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019003324	China
Forest Beauty Swiss Ice Wine Firming and Lifting Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019003325	China
Forest Beauty Royal Jelly Rejuvenating Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004810	China
Forest Beauty Royal Jelly Advanced Hydration Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004809	China
Forest Beauty Ultra Replenishing Bio Cellulose Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020001110	China
Forest Beauty Elder Flower Repairing Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020001997	China
Forest Beauty Long-lasting Hydrating Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020002002	China
Forest Beauty Firming and Lifting Bio Cellulose Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020002004	China
Forest Beauty Vitamin Bs Renewing and Revitalizing Lotion	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004614	China
Forest Beauty Vitamin Bs Renewing and Revitalizing Cream	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004619	China
Forest Beauty Vitamin Bs Renewing and Revitalizing Serum	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004620	China
Forest Beauty Pomegranate+ Anti-Ageing Mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004621	China
Forest Beauty Vitamin Bs Renewing and Revitalizing Toner	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004624	China

In the future, the Company expects to develop 3–5 new products every year.


## 2. Recent product efficacy test results

Brand	Product	Test contents/Results		
Baby Lion	Alcohol antibacterial wipes	Antibacterial test is targeted on Escherichia coli, Staphylococcus aureus, Pseudomonas aeruginosa, Klebsiella pneumoniae for 5 minutes (short-acting) and 60 minutes (long-acting); antibacterial capacity >99.99%		
Baby Lion	Feminine wipes	Antibacterial test is targeted on Escherichia coli, Staphylococcus aureus, Pseudomonas aeruginosa, Klebsiella pneumoniae for 24 hours (long-acting); antibacterial capacity >99.9%		
Baby Lion	75% alcohol spray	Antibacterial test is targeted on Escherichia coli, Staphylococcus aureus, Pseudomonas aeruginosa, Klebsiella pneumoniae for 5 minutes (short-acting); antibacterial capacity >99.99%		
Baby Lion	Baby Repairing Barrier Cream	After 21 days of continuous use, the Baby Repairing Barrier Cream effectively improved the skin barrier repair function (Day 1=14.31 compared with Day 21=12.92; the TEWL value change rate was -9.7% [the lower the TEWL value the better the barrier repair]).		
Forest Beauty	Ice Wine Moisture Boost Mask	Item / Number of days	Week1	Week 2
		Moisture	23.33%	41.94%
		Elasticity	20.41%	26.46%
		Fine lines	-10.23%	-21.79%
Forest Beauty	Royal Jelly Rejuvenating Mask	Item / Number of days	Week1	Week 2
		Moisture	26.44%	45.78%
		Elasticity	9.14%	11.41%
		Fine lines	-6.76%	-13.03%
Forest Beauty	Firming and Lifting Bio Cellulose Mask	Item / Number of days	Week1	Week 2
		Moisture	7.40%	10.68%
		Fine lines	-4.71%	-11.08%
Forest Beauty	14-day Renewing and Revitalizing Cream	After 21 days of continuous use, the Vitamin Bs Renewing and Revitalizing Cream effectively improved the skin barrier repair function (Day 1=13.36 compared with Day 21=10.87; the TEWL value change rate was -18.6% [the lower the TEWL value the better the barrier repair]).		
Forest Beauty	Royal Peptide Advanced Rejuvenating and Firming Serum	Item / Number of days		
		Skin moisture retention	+8.6%	+14.88%
		Skin firmness	+3.6%	+64%
		Skin elasticity	+3.4%	+5.8%
		Wrinkle depth	-16.8%	-22.7%
	Number of wrinkles	-7.6%	-11.5%	

3. The Company is committed to environmental friendliness. It selects eco-friendly materials, adopts natural and harmless materials with the least impact on the

environment for the formulas. Meanwhile, it has applied for international labels to confirm that its products meet the regulations.

List of labels obtained and products that have been certified with relevant labels:

Label	Product	Certification entity
	Vitamin A Revitalizing and Regenerating Cotton Mask	Cotton Incorporated
	Vitamin B5 Calming and Protecting Cotton Mask	
	Vitamin C Brightening and Detoxing Cotton Mask	
	Renewing and Oxygen Refreshing Mask	
	Pore Minimizing and Oil Control Mask	

#### 4. Estimated research funds

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
Development and testing of new Baby Lion products	Planning of various baby and child peripheral products and relevant tests	344,000
Development and testing of new Forest Beauty products	Prototyping and testing of various skin care products, and testing of product physical property, chemical property, and functions	1,000,000
Review and registration of exported products	Applying for cosmetics registration in China, E.U., and the U.S.	635,000

(IV) Long- and short-term business development plans:

**Lion Baby and Forest Beauty:**

To meet the market demand, the Company will take the baby wet wipes with the largest share in the market in this field as the main product to be developed for Lion Baby, and will work with many collaborative manufacturers to develop functional formulas and other products to increase its market share. For Forest Beauty, the Company will take facial masks as the main product to be developed, and will incorporate unique ingredients to develop more skin care products and toiletries to increase its market share.

1. Short-term business development plans:

(1) Sales strategy:

- A. Develop new channels based on product positioning, and formulate marketing strategies based on product and channel differentiation.
- B. Revitalize the brand's image, keep abreast of consumer needs, and innovate and copy successful models to launch new products.
- C. Actively develop overseas markets and new businesses, and ensure sustainable operation by diversifying operations and revitalizing assets.

(2) Marketing and R&D strategy

- A. Keep abreast of the market trends and develop differentiated and customized products to facilitate new product development and successful launch.
- B. Work closely with academic and research and development units, actually participate in the government's relevant unit's new product research and development projects, and actively apply for patents to ensure the Company's rights and interests, while expanding the scale of new product development.

(3) OEM strategy

- A. Strictly monitor and inspect the operating procedures to strengthen and improve product quality.
- B. Require manufacturers to cooperate with equipment maintenance and improvement and to upgrade process technology to achieve the differentiated value of new products.

2. Mid- and long-term business development plans:

- (1) Master the win-win core technologies and continuously improve product quality to enhance competitive advantage.
- (2) Use diversified marketing strategies to promote a diversified product mix to increase market share.

- (3) Actively expand domestic and foreign sales markets, establish an international brand image, and become the most favored and reliable enterprise and a well-known brand.

**Development and hotel business development plan:**

1. For the land development project of the old Shilin Paper Mill, the Company continues to reach a consensus with the Taipei City Government actively on various possible plans and to look for possible opportunities based on the development of the situation, so as to successfully complete the development work in line with both parties' expectations.
2. The Company has obtained the construction license for the Warehouse No. 5 urban renewal development project, and the construction is scheduled to be officially launched in the third quarter of 2021 (a hotel building with 12 floors above ground and 3 floors underground).
3. The hotel will publish high-quality marketing materials to cater to customers' preferences.

**II. Overview of Market, Production, and Sales:**

(I) Market analysis:

1. Overview of the market

(1) Wet wipes:

A. Market share of functional products

The overall market is divided by functionality: pure water>skin care>antibacterial>others.

B. Market share of each brand

The market shares of major brands of wet wipes are as follows: Kang Na Hsiung> Johnson & Johnson > Orchard> MamyPoko> Lion Baby> Mitagri> Personal brands. The market share of Lion Baby continues to grow.

C. Performance of distribution channels

The distribution channels of wet wipes are as follows:

Online shopping platforms>General retail stores and pharmacies>Group shopping platforms>Hypermarkets and supermarkets>Personal products and drugstores. All distribution channels continue to grow.

(2) Toiletries and anti-mosquito products:

A. Market share of the products

Although Taiwan is encountering declining birthrates and changes in the demographic structure, the consumption potential of the maternal and baby market is growing year by year. Natural, safe, and high-quality products are the key point that parents care about most for purchases. To expand the sales and product segmentation of the brand, Baby Lion has grandly launched calendula toiletries and

care products and natural essential oil anti-mosquito products, as a local selective brand that gives consumers peace of mind. In the next few years, Baby Lions will target China and neighboring countries in Asia to expand to the markets with baby care products and anti-mosquito products.

B. Performance of distribution channels

The sales of Baby Lion calendula toiletry and care products and natural essential oil anti-mosquito products on the online shopping platform are outstanding, and each transaction amounts to around NT\$1,100 to NT\$1,500. The physical stores mostly sell maternity and baby products, and Baby Lion continues to participate in major maternity and baby product exhibitions, as well as set up counters on the floor dedicated to maternal and baby products in the department stores and participate in promotional events of the department stores, to increase its brand visibility.

(3) Alcohol-based protective products:

A. Market share of the products

In response to the outbreak of COVID-19, the demand for alcohol-related protective products has increased. In 2020, Lion Baby also launched wipes containing 75% alcohol, moisturizing hand spray containing 75% alcohol, and amino acid repair and antibacterial hand wash, as well as a highly effective general-purpose cleaning liquid, and a dish and fruit and vegetable detergent. Among them, 75% alcohol wipes and 75% alcohol moisturizing hand spray have been well-received with a high market demand.

B. Performance of distribution channels

Alcohol-based protective products are mainly sold on online shopping platforms, maternity and baby product stores, and major pharmacies, and their performance is outstanding. In particular, affected by the e-commerce consumption model arising from the "stay-at-home" economy, the sales performance of online shopping platforms in 2020 increased by more than 20% from the prior year.

(4) Facial masks and skin care products:

A. The market share of facial mask products in the cosmetic and beauty products

Taiwan's overall cosmetic and beauty market is divided by function, with facial masks accounting for 43.1%. The average purchase amount of skin care products is around NT\$1,750. The most important function that consumers care about regarding the facial masks is the moisturizing effect, followed by the whitening effect.

B. Market share of each brand

The export value of Taiwan's cosmetics industry market reached US\$7.32 billion in 2020, while the domestic market for facial masks in Taiwan amounts to

around US\$130 million a year, and Taiwanese people use more than 100 million pieces of facial masks a year. The market share of Japanese and Korean brands (25%) is slightly higher than that of Taiwanese brands (21%) and European and U.S. brands (21%).

#### C. Performance of distribution channels

Chain drugstores are the major channel for purchase of said products (35%). What is followed are online shopping platforms (17%), department stores (17%), and hypermarkets (19%). Online shopping platforms have demonstrated a growth trend in recent years.

For the market information above, please refer to Issue No. 512 of Fortnightly Weekly, Wealth Magazine and "Taiwan Consumer Personal Care Products Market Overview" by the Taiwan External Trade Development Council (TAITRA)

Since its launch in 2017, Forest Beauty has continuously launched a variety of facial masks that have been well received. Among them, the Pore Minimizing and Oil Control Mask has won the Best New Skin Care Award at the Pure Beauty Global Awards. In addition, Forest Beauty had another five facial masks nominated for the Pure Beauty Global Awards. Even the top Canadian Four Seasons Hotels and Conrad Spa under the Hilton Group have designated the use of Forest Beauty's masks.

In addition to facial masks, Forest Beauty has continued to launch new products, including 14-day Renewing and Revitalizing Care Series products, Nano-Gold Foil Royal Jelly Rejuvenating Care Series products, and CICA Ocean Friendly Sun Care Series products, to increase visibility and business opportunities in the skin care market. Also, although affected by the pandemic in overseas countries, Forest Beaut has still continuously developed new markets, including China, Singapore, Malaysia, Indonesia, Japan, Dubai, Russia, Belarus, and the U.S.; among them, its products have hit the shelves of nearly 100 stores of Watsons and e-commerce stores in Singapore. The brand is deeply favored by consumers with its facial masks and eye masks.

#### 2. Market analysis: Lion Baby and Forest Beauty:

- (1) The sales region of the Company's main products is mainly in the domestic market, which is divided into three areas: northern (New Taipei, Taipei Cities, Taoyuan, Hsinchu, and Miaoli), central, and southern Taiwan; currently, it is actively developing domestic high-end markets, such as department stores, and global markets.

- (2) Future supply and demand and growth: According to the statistics by professional market survey agencies, the markets of Lion Baby and Forest Beauty continue to grow. Lion Baby is mainly focused on natural, safe, and effective baby and child products, while Forest Beauty focuses on patents and exclusive products. The Company will plan various functional products according to different consumer groups, and develop natural products and the ones with patented formula to achieve diversification and market segmentation to improve performance.
- (3) Future supply-demand response: Seek more domestic and foreign professional OEM to respond to future market demand.
- (4) Favorable and unfavorable factors of development prospects:
  - A. Favorable factors: Domestic and foreign professional OEM have better product technology capabilities and positive competitive advantages in innovative manufacturing processes, which make the development of product collections more complete than the competitors in the same industry so as to keeps pace with major domestic businesses.
  - B. Unfavorable factors: Due to the limited demand in the domestic consumer goods market because of many brands and sufficient resources in the market, the Company can only adopt marketing strategies to attract consumers and expand market share.

### 3. Market Outlook

- (1) Lion Baby and Forest Beauty:
  - A. Continue to R&D to launch new products, and apply for patents to maintain the interests of products.
  - B. Actively participate in international exhibitions and develop an international brand image to facilitate the development of overseas markets.
  - C. Increase sample giveaway events with repurchase potential, and work with print and media advertising channels to increase sales and product margin.
  - D. Strengthen the Company's online shopping mall to interact with consumers directly.
- (2) Paper Sun Hotel: Continue to integrate various resources to increase revenue and occupancy rate.

## (II) Important Functions and Production Process of Major Products

### 1. Wet wipes:

(1) The functions of the wet wipes: Wet wipes are cleaning products for individuals, families, and babies and children.

(2) Production process of wet wipe products:

Non-woven fabrics (raw materials)→folding and laminating→flattening→adding liquid→cutting upon flattening→ automated bag packaging→metal weight inspection→box packaging.

### 2. Toiletries and anti-mosquito products:

(1) Functions of main toiletries products: Toiletries products are cleaning and care products for babies and small children.

(2) The production process of toiletries products: Raw material inspection→compounding and weighing→ blending/mixing and water-in-oil emulsion→quality control and inspection→quantitative filling→sealing→ carton packaging and shrinkable film→quality control of finished goods.

(3) The functions of the main anti-mosquito products: Anti-mosquito products are products for preventing babies, small children, and adults from mosquito bites.

(4) The production process of anti-mosquito products: Raw material inspection→compounding and weighing→ blending/mixing and water-in-oil emulsion→quality control and inspection→quantitative filling→sealing→ carton packaging and shrinkable film→ finished product emulsion→quality control of finished goods.

### 3. Alcohol-based protective products:

(1) Functions of 75% alcohol wipes: They are used for cleaning and disinfecting the environment and supplies.

(2) The production process of 75% alcohol wipes:

Non-woven fabrics (raw materials)→folding and laminating→flattening→adding alcohol mixture→cutting upon flattening → automated bag packaging.

(3) Functions of 75% alcohol moisturizing hand spray: It is for hand cleaning.

(4) Production process of 75% alcohol moisturizing hand spray:

Raw material inspection →compounding and weighing → blending and mixing → quality control and inspection → quantitative filling → sealing → shrinkable film.

#### 4. Facial masks and skin care products:

(1) The functions of the main products of the facial masks: To condition the skin, improve the skin condition, and help to present natural charm of the skin.

(2) Production process of facial mask products:

Mask fabric (raw materials)→folding and bagging→disinfection→material filling→sealing→appearance inspection & inner material inspection→box packaging and shrink wrap→carton packaging→sending to a third-party verification unit for inspection.

(3) The functions of the main skin care products: They aim to provide suitable care procedures for different skin conditions, repair skin for anti-aging, and maintain skin health.

(4) The production process of skin care products: Raw material inspection→compounding and weighing→blending/mixing and water-in-oil emulsion→quality control and inspection→quantitative filling→sealing→carton packaging and shrinkable film→quality control of finished goods.

(III) Supply status of main raw materials

1. Supply of main raw materials for wet wipes outsourced

Main ingredients	Supply
Fiber, viscose staple, waterproof PE film, and hot glue	The supply of goods is stable.

2. Supply of main raw materials for toiletries, care, and anti-mosquito products outsourced

Item	Main ingredients	Supply
Personal toiletry products	Bottles, glycerin, surfactants, moisturizers, artificial flavors, and preservatives	The supply of goods is stable.
Cleaning products ( Dish and fruit and vegetable detergent)	Bottles, water, surfactants, natural moisturizers, natural germicides, and essence oils	The supply of goods is stable.
Cleaning products (General-purpose cleaning liquid)	Bottles, water, surfactants, artificial flavors, and antibacterial agents	The supply of goods is stable.
Skin care products	Bottles, glycerin, organic olive oil, shea butter, vitamin B5 & E, emulsifier, artificial flavors, and preservatives	The supply of goods is stable.
Anti-mosquito products	Bottles, zipper aluminum bag, non-woven sticker, ABSclip, and various essential oils	The supply of goods is stable.

3. Supply of main raw materials for alcohol-based protective products outsourced

Item	Main ingredients	Supply
75% alcohol wipes	Waterproof PEfilm, spun-lace non-woven, ultra-pure water, alcohol, and bacteriostatic agent	The supply of goods is stable.
75% alcohol moisturizin	Bottles, alcohol, water, essential oils, antioxidants, and antibacterial agents	The supply of goods is stable.

4. Supply of main raw materials for facial masks and skin care products outsourced

Main ingredients	Supply
Aluminum bag, paper box, mask fabric (bio-fiber, tencel, and pure cotton fabrics)	The supply of goods is stable.

(IV) The Names of Customers Who Have Accounted for More than 10% of the Total Purchases (Sales) in Any of the Last Two Years and the Amount and Proportion of Their Purchases (Sales)

1. Customers who have accounted for more than 10% of the total purchases: (Unit: NTD thousand; %)

### Information on major suppliers in the last two years

Unit: NTD thousand; %

Item	2019				2020				As of 2021.03.31			
	Name	Amount	Proportion to total annual net purchases	Relationship with the issuer	Name	Amount	Proportion to total annual net purchases	Relationship with the issuer	Name	Amount	Proportion to net purchases as of March 31, 2021 %	Relationship with the issuer
1	Nan Liu Enterprise Co., Ltd.	28,993	33.39%	None	Nan Liu Enterprise Co., Ltd.	52,336	62.98%	None	Nan Liu Enterprise Co., Ltd.	6,086	60.12%	None
2	Stellar Beauty Biotech Co. Ltd.	9,728	11.20%	None	Others	30,760	37.02%	None	Others	4,037	39.88%	None
3	Others	48,107	55.41%	None								
4												
	Net purchases	86,828	100.00%		Net purchases	83,096	100.00%		Net purchases	10,123	100.00%	

Note 1: List the names of suppliers who have accounted for more than 10% of the total purchases in the last two years and their purchase amounts and percentages. However, where the names of the suppliers or the counterparties of transactions cannot be disclosed due to the contractual agreement or counterparties of transactions are individual non-related parties, their names can be indicated in code.

Note 2: As of the date of the publication of the annual report, where the companies that are listed in stock market or whose stocks have been traded at the counter of a securities firm have the latest financial information that has been audited or reviewed by a CPA, it shall be disclosed.

- Customers who have accounted for more than 10% of the total sales: (Unit: NTD thousand; %)

### Information on major sales customers in the last two years

Unit: NTD thousand; %

Item	2019				2020				As of 2021.03.31			
	Name	Amount	Proportion to total annual net sales %	Relationship with the issuer	Name	Amount	Proportion to total annual net sales %	Relationship with the issuer	Name	Amount	Proportion to net sales as of March 31, 2021 %	Relationship with the issuer
	Customer E	17,906	10.57%	None	Customer E	17,906	11.23%	None	Customer F	73,511	56.18%	None
	Others	151,548	89.43%	None	Others	141,567	88.77%	None	Others	57,334	43.82%	None
	Net sales	169,454	100.00%		Net sales	159,473	100.00%		Net sales	130,845	100.00%	

Note 1: List the names of customers who have accounted for more than 10% of the total sales in the last two years and their purchase amounts and percentages. However, where the names of the customers or the counterparties of transactions cannot be disclosed due to the contractual agreement or counterparties of transactions are individual non-related parties, their names can be indicated in code.

Note 2: As of the date of the publication of the annual report, where the companies that are listed in stock market or whose stocks have been traded at the counter of a securities firm have the latest financial information that has been audited or reviewed by a CPA, it shall be disclosed.

(V) Production volume in the last two years: None.

(VI) Sales volume in the last two years:

### Sales Volume in the Last Two Years

Unit: box; NTD thousand

Year	2019				2020			
	Domestic sales		Export		Domestic sales		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Revenue from construction projects		0	0	0		0	0	0
Rental income		97,963	0	0		90,323	0	0
Wet wipes	122,108	50,315	0	0	127,902	53,269	0	0
Others		17,828	0	3,348		12,463	0	3,418
Total		166,106	0	3,348	127,902	156,055	0	3,418

### III. The Number of Employees, Average Years of Service, Average Age, and Education Distribution in the Last Two Years and As of the Publication Date of the Annual Report

Year		2019	2020	As of 2021.02.23
Number of employees		68	67	66
Average age		38.8	38.4	38.3
Average years of service		4.26	3.74	3.73
Distribution of education (%)	Doctoral degree	1.47%	1.49%	1.52%
	Master's degree	11.76%	11.94%	12.12%
	Junior college	75.00%	74.63%	74.24%
	Senior high school	7.35%	7.46%	7.58%
	Below senior high school	4.41%	4.48%	4.55%

### IV. Environmental protection expenditure: Losses incurred due to environmental pollution in the last year and as of the publication date of the annual report:

None.

### V. Labor-management Relations

#### (I) Current Important Labor-management Agreements and Execution

##### 1. Employee benefits

The Company handles labor insurance and health insurance in accordance with the laws and regulations. It has also formulated the Employee Welfare Committee Charter in accordance with the Employee Welfare Fund Act, established the Employee Welfare

Committee, and appropriated funds for employee benefits in accordance with the regulations, while setting out various benefits based on the actual situation of the Company in accordance with the relevant provisions of the labor laws and regulations.

- (1) The Company's benefits include employee pensions, annual health examination, birthday cash gifts, and free parking space.
- (2) The Employee Welfare Committee is responsible for the Company's measures, including bonuses for three major holidays, wedding cash gifts, childbirth allowance, funeral allowance, teambuilding activities, and children's education grants and scholarships.

## 2. Pension system under the Labor Standards Act

The Company set up a Supervisory Committee of Labor Retirement Reserve in accordance with the provisions of the Labor Standards Act, and has appointed a qualified actuary to issue actuarial reports while filing to the competent authority for review. The relevant pension fund deposits/withdrawals in/from the special account at the Bank of Taiwan are conducted according to the approved deposit/withdrawal rate every month for pension funds for employee retirement. The calculation method is as follows:

$$\text{Average salary} = \text{Base salary} + \text{Duty allowance} + \text{Food allowance} + \text{Fixed allowance} + \text{Overtime pay}$$

- (1) The first period: According to the first paragraph of Article 4 of the Company's Employees Retirement Guidelines, two base points will be given for each full year of work in the first 15 years of service before July 30, 1984, and 0.5 base points will be given for each full year of work thereafter. Half a year is counted as one year for the remaining length of service less than one year. The calculation of the pension base points is based on the average salary of the three months before the approved retirement, and the total is limited to 35 base points.
- (2) The second period: After the implementation of the Labor Standards Act, two base points will be given for each full year of work in the first 15 years of service, and one base point will be given for each full year of work thereafter. For the remaining length of service, less than half a year will be counted as half a year, and half a year will be counted as one year. The calculation of the pension base points is based on the average salary of the six months before the approved retirement.
- (3) The maximum total amount of pensions for the first and second periods is limited to 45 base points.

### 3. Pension system under the Labor Pension Act

New pension system: For new employees appointed after July 1, 2005 and employees who select the new system, the Company contributes 6% of the salary level of each employee monthly to each employee's individual pension account of the Bureau of Labor Insurance according to the Labor Pension Act.

### 4. Employee education and training

The Company regards employees as its most important asset and attaches great importance to their growth and development. Thus, to help employees enhance their professional skills and develop their own potential, it provides diverse education and training courses or training subsidies to improve employees' overall quality through adequate training and to enable the Shihlin Paper team to move toward a greater vision.

## (II) Losses Incurred Due to Labor Disputes in the Last Two Years

In the past two years, the Company has formulated work rules in accordance with relevant labor laws and regulations, and implemented various management policies in line with the new laws and regulations promulgated by the government to maintain a harmonious labor-management relationship without any loss incurred due to labor disputes.

## (III) Employee Conduct and Code of Ethics

The Company attaches great importance to its employees' work attitude and moral ethics. It has set out general rules for all employees, and included the work attitude and moral ethics in the performance evaluation indicators for all employees:

### 1. General rules of work attitude and moral ethics

- (1) Shihlin Paper motto: Loyal and honest, diligent and pragmatic, responsible, and cherishing. All employees shall strive hard in line with the motto.
- (2) Employees shall be proud of being a member of Shihlin Paper, and abide by the requirements of various regulations and announcements or notices via email on the work environment, work attitude, and employee relations.
- (3) Comply with laws and regulations, including laws and regulations regarding insider trading.
- (4) Protect the Company's assets for effective utilization.
- (5) Keep official and business secrets confidential, and all documents, items, and information shall be handled in accordance with the information security policy and shall not be taken out of the office (or sent by e-mail) and leaked. In the case of any situation above, in addition to dismissal, legal actions may be taken according to the

severity of the circumstances.

- (6) Employees are not allowed to request or accept commissions, kickbacks, or accept improper entertainment or any other gifts and other illegal personal benefits by means of their work. Once found, they shall be dismissed. If the Company suffers any losses, they will be prosecuted for compensation in accordance with the law.
  - (7) All employees' personal behavior shall be honest and ethical, particularly when individuals have conflicts of interest with their work.
  - (8) The reports submitted regularly shall be disclosed in a complete, fair, correct, timely, and easy-to-understand manner.
  - (9) Follow supervisors' reasonable supervision and guidance and pay attention to work safety.
  - (10) Employees shall respect and value the Company's reputation. Any personal opinions related to the Company may not be published without permission; except for the tasks assigned by the Company, any work shall not be conducted under the Company's name without authorization.
  - (11) Employees shall be sincere, proactive and responsible at work, and discover problems and put forth solutions actively.
  - (12) Treat customers, distributors, suppliers, and competitors in an impartial manner.
2. Performance evaluation indicators for work attitude and ethics
- (1) Moral ethics: Integrity; not obtaining personal benefits through improper means, and no personal deviant behavior that affects the Company's reputation.
  - (2) Dedication: Loving work and willing to spend extra time and effort to complete the work.
  - (3) Active and responsible attitude: Working hard to complete the work within the scope of responsibilities, and doing the best to complete the work assigned by the supervisor.
  - (4) The overall interests of the Company: Understanding his/her job responsibilities and duties, and knowing how to evaluate and maintain the Company's overall interests.

(IV) Work Environment and Protective Measures for Employees' Personal Safety

1. In view of the importance of the work environment and protection measures for employees' personal safety, the Company adopts a target-based project management mechanism to make improvement based on the results of statistical analysis. Maintaining the work environment and safety and reducing employee occupational injuries are its long-term goals; thus, the Company has formulated management methods and control plans as follows:
  - (1) Employee education and training regulations: In accordance with current laws and regulations

- (2) Machinery and equipment maintenance regulations: In accordance with rules of equipment maintenance
- (3) Smoking management measures: In accordance with the rules announced
- (4) Relevant regulations on wearing helmets: In accordance with current regulations
- (5) Electricity safety control: In accordance with current regulations
- (6) Vehicle speed limit and access control for people and vehicles: In accordance with the rules announced
- (7) Regulations on security assisting in guiding people and vehicles to the parking space: In accordance with the rules announced
- (8) Promotion of using steel chopsticks for environmental protection: In accordance with the rules announced
- (9) Prohibition of eating betel nuts at the factory: In accordance with the rules announced
- (10) Prohibition of placing food at operations sites, and dining in the designated place: In accordance with the rules announced
- (11) Resource recycling: In accordance with the rules announced
- (12) Assistance provided to send away stray cats and dogs: In accordance with the rules announced

## 2. Occupational safety and health promotion activities

### (1) Occupational injury prevention plan

In order to achieve the goal of zero occupational injury, the Company draws up an annual occupational injury prevention plan at the end of each year, and then sets out a detailed execution plan based on the content of the occupational injury prevention plan, and each business unit executes it in accordance with the timeline and content of the plan.

- A. In response to the amendments to laws and regulations, the Company amends the safety and health work rules regularly, and establishes operating standards for safe operations of all machinery and equipment in the factories for employees to follow.
- B. The Company conducts monthly, quarterly, and annual inspections of machinery in accordance with the daily machinery operation inspection guidelines, and files a report on machinery listed as dangerous to the competent authority for inspection annually to ensure the safety of the operation of machinery.
- C. The Company conducts monthly, quarterly, and annual inspections of machinery in accordance with the daily machinery operation inspection guidelines, and files a report on machinery listed as dangerous to the competent authority for inspection annually to ensure the safety of the operation of machinery.

- D. The Company organizes employee education and training in accordance with laws and regulations, and helps them obtain relevant certificates and licenses.
- E. The Company has established a complete fire protection system per the Fire Services Act, conducts regular inspections of fire safety equipment, and files a report to the competent authority.

(2) Awareness-raising activities and education through injury prevention cases:

The Company collects all types of cases regarding domestic major disasters, work injuries, and accident cases from time to time, and makes announcements in the factories through printed materials or posters to remind and educate all employees to prevent injuries and to provide the latest information at any time. Environmental and occupational safety maintenance is all employees' responsibility and task. It requires all employees to work together through their own work and to cherish the environment, so as to jointly create a safe, clean, clean, and injury-free work environment.

**VI. Important Contracts: None**

## Overview of Financial Status

### I. Condensed Balance Sheet and Statement of Comprehensive Income in the Last Five Years

#### (I) Condensed Balance Sheet (Consolidated)

Unit: NTD thousand

Item	Year	Financial Data in the Last Five Years					Financial data as of March 31, 2021 (Note 1)
		2016	2017	2018	2019	2020	
Current asset		821,974	866,273	715,753	856,266	1,792,229	1,976,415
Property, Plant and		1,074,803	1,146,734	1,079,293	1,067,932	1,311,043	1,309,439
Intangible asset		1,620	11,804	11,182	9,853	9,483	9,123
Other assets		4,696,946	4,606,168	4,657,955	4,653,212	4,409,238	4,412,613
Total assets		6,595,343	6,630,979	6,464,183	6,587,263	7,521,993	7,707,590
Current liabilities	Before distribution	2,024,930	2,132,799	2,231,902	2,455,810	2,496,314	2,516,453
	After distribution	2,024,930	2,132,799	2,231,902	2,455,810	2,496,314	2,516,453
Non-current liabilities		1,604,210	1,610,901	1,611,694	1,611,546	1,612,994	1,613,006
Total liabilities	Before distribution	3,629,140	3,743,700	3,843,596	4,067,356	4,109,308	4,129,459
	After distribution	3,629,140	3,743,700	3,843,596	4,067,356	4,109,308	4,129,459
Equity attributable to owners of the parent		2,966,203	2,887,279	2,620,587	2,519,907	3,412,685	3,578,131
Share capital		2,600,391	2,600,391	2,600,391	2,600,391	2,600,391	2,600,391
Capital surplus		0	0	0	0	0	0
Retained earnings	Before distribution	405,970	235,631	70,331	(109,214)	(244,983)	(147,112)
	After distribution	405,970	235,631	70,331	(109,214)	(244,983)	(147,112)
Other equities		(40,158)	51,257	(50,135)	28,730	1,057,277	1,124,852
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before distribution	2,966,203	2,887,279	2,620,587	2,519,907	3,412,685	3,578,131
	After distribution	2,966,203	2,887,279	2,620,587	2,519,907	3,412,685	3,578,131

Note 1: The data for the first quarter of 2021 has been reviewed by a CPA.

## (II) Condensed Statement of Comprehensive Income (Consolidated)

Unit: NTD thousand

Item \ Year	Financial Data in the Last Five Years					Financial data as of March 31, 2021 (Note 1)
	2016	2017	2018	2019	2020	
Operating income	69,565	186,320	218,526	169,454	159,473	130,845
Gross income from operations	(5,990)	51,466	46,827	52,232	53,508	75,813
Operating gains (losses)	(213,442)	(165,236)	(171,908)	(184,403)	(152,414)	25,834
Non-operating income (expense)	30,538	(3,540)	5,627	4,869	16,729	75,631
Net profit (loss) before tax	(182,904)	(168,776)	(166,281)	(179,534)	(135,685)	101,465
Income tax expense	-	-	-	-	-	3,594
Continuing operations Net loss	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)	97,871
Loss on discontinued operations	-	-	-	-	-	-
Net loss for the current period	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)	97,871
Other comprehensive income (loss) for the current period (net of tax)	(57,285)	91,529	(100,924)	78,854	1,028,463	67,575
Total comprehensive income (loss)	(240,189)	(78,924)	(267,730)	(100,680)	892,778	165,446
Net profit (loss) attributable to owners of the parent company	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)	97,871
Net loss attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income (loss) attributable to owners of the parent company	(240,189)	(78,924)	(267,730)	(100,680)	892,778	165,446
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per Share	(0.70)	(0.66)	(0.64)	(0.69)	(0.52)	0.38

Note 1: The data for the first quarter of 2021 has been reviewed by a CPA.

## (III) Condensed Balance Sheets (Individual)

Unit: NTD thousand

Item \ Year		Financial Data in the Last Five Years				
		2016	2017	2018	2019	2020
Current asset		554,548	646,761	614,774	654,489	1,676,137
Property, Plant and		136,402	92,922	36,908	35,356	34,379
Intangible asset		56	10,324	9,872	8,656	8,398
Other assets		3,232,128	3,138,582	3,026,794	2,957,101	2,827,848
Total assets		3,923,134	3,888,589	3,688,348	3,655,602	4,546,762
Current liabilities	Before distribution	923,514	961,537	1,027,630	1,095,874	1,093,689
	After distribution	923,514	961,537	1,027,630	1,095,874	1,093,689
Non-current liabilities		33,417	39,773	40,131	39,821	40,388
Total liabilities	Before distribution	956,931	1,001,310	1,067,761	1,135,695	1,134,077
	After distribution	956,931	1,001,310	1,067,761	1,135,695	1,134,077
Equity attributable to owners of the parent		2,966,203	2,877,279	2,620,587	2,519,907	3,412,685
Share capital		2,600,391	2,600,391	2,600,391	2,600,391	2,600,391
Capital surplus		0	0	0	0	0
Retained earnings	Before distribution	405,970	235,631	70,331	(109,214)	(244,983)
	After distribution	405,970	235,631	70,331	(109,214)	(244,983)
Other equities		(40,158)	51,257	(50,135)	28,730	1,057,277
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total Equity	Before distribution	2,966,203	2,887,279	2,620,587	2,519,907	3,412,685
	After distribution	2,966,203	2,887,279	2,620,587	2,519,907	3,412,685

## (IV) Condensed Statements of Comprehensive Income (Individual)

Unit: NTD thousand

Item \ Year	Financial Data in the Last Five Years				
	2016	2017	2018	2019	2020
Operating income	33,245	77,747	117,772	106,435	112,020
Gross income from operations	(9)	28,268	48,535	49,170	44,533
Operating losses	(93,029)	(53,456)	(23,660)	(35,254)	(41,588)
Non-operating income (expense)	(89,875)	(116,997)	(143,146)	(144,280)	(94,097)
Net loss before tax	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)
Continuing operations Net loss	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)
Net loss for the current period	(182,904)	(170,453)	(166,806)	(179,534)	(135,685)
Other comprehensive income (loss) for the current period (net of tax)	(57,285)	91,529	(100,924)	78,854	1,028,463
Total comprehensive income (loss)	(240,189)	(78,924)	(267,730)	(100,680)	892,778
Earnings per Share	(0.70)	(0.66)	(0.64)	(0.69)	(0.52)

(V) Name of CPAs and Audit Opinions Thereof in the Last Five Years

Year	Name of Attesting CPAs	Opinion
2016	Min-Chih Cho and Wen-Ting Hsiang	Unqualified opinion
2017	Min-Chih Cho and Wen-Ting Hsiang	Unqualified opinion
2018	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion
2019	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion
2020	Yu-Ling Hung and Wen-Ting Hsiang	Unqualified opinion

## II. Financial Analysis in the Last Five Years

### (I) Consolidated financial statements

Item		Year		Financial Analysis in the Last Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020			
Financial structure (%)	Debt ratio	55.03	56.46	59.49	61.75	54.63	53.58		
	Ratio of long-term funds to property, plant and equipment	425.23	392.26	392.13	386.86	383.33	396.44		
Solvency %	Current ratio (%) (Note 1)	40.59	40.62	32.07	34.87	71.80	78.54		
	Quick ratio (%) (Note 1)	33.18	34.74	27.15	30.93	67.94	76.14		
	Interest coverage ratio (Note 2)	(7.55)	(6.52)	(5.82)	(5.87)	(4.30)	18.32		
Operating performance	Receivables turnover (times)	12.41	14.22	7.90	3.96	3.22	10.57		
	Average collection days (Note 3)	29.41	25.66	46.22	92.17	113.34	34.53		
	Inventory turnover (times)	0.22	0.64	1.28	0.77	0.88	3.25		
	Payables turnover (times)	9.24	15.60	21.44	11.17	10.58	30.11		
	Average turnover days	1,659.09	570.31	285.16	474.03	414.77	112.31		
	Property, plant and equipment turnover (times)	0.06	0.03	0.04	0.03	0.03	0.09		
	Total assets turnover (times) (Note 1)	0.01	0.03	0.03	0.03	0.02	0.07		
Profitability	Return on assets (%) (Note 2)	(2.45)	(2.24)	(2.18)	(2.35)	(1.56)	5.45		
	Return on equity (%) (Note 2)	(5.93)	(5.82)	(6.06)	(6.99)	(4.57)	11.20		
	Ratio of pre-tax income to paid-in capital (%) (Note 2)	(7.03)	(6.49)	(6.39)	(6.90)	(5.22)	3.90		
	Profit margin (%) (Note 2)	(262.92)	(91.48)	(76.33)	(105.95)	(85.08)	74.80		
	Earnings per share (NTD)(Note 2)	(0.70)	(0.66)	(0.64)	(0.69)	(0.52)	0.38		
Cash flow	Cash flow ratio (%)	0.00	0.00	0.00	0.00	0.00	6.59		
	Cash flow adequacy ratio (%)	0.00	0.00	0.00	0.00	0.00	354.80		
	Cash flow reinvestment ratio (%)	0.00	0.00	0.00	0.00	0.00	2.64		
Leverage	Operating leverage (Note 4)	0.04	(0.19)	(0.30)	(0.20)	(0.26)	2.71		
	Financial leverage	0.91	0.88	0.88	0.88	0.86	1.29		

The reasons for the increase or decrease of various financial ratios by at least 20% in the last two years are described below:

Note 1: Increase in current ratio and quick ratio: Mainly due to an increase in the value of the prices of the securities held at the end of the current period.

Note 2: Increase in the interest coverage ratio, return on assets, return on equity, and the ratio of pre-tax net income to paid-in capital, as well as the decrease in net loss rate and loss per share: Mainly due to a decrease in pre-tax losses due to land value tax deduction.

Note 3: Increase in average collection days: Mainly due to the longer period of time for the Company to receive payments from customers with an increase in operating revenue during the current period.

Note 4: Increase in operating leverage: Mainly due to a decrease in operating losses during the current period.

### **1. Financial structure**

- (1) Debt ratio = Total liabilities/Total assets.
- (2) Ratio of long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment net amount 36.

### **2. Solvency**

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets-Inventories-Prepayments)/Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense/ Interest expense in the current period.

### **3. Operating performance**

- (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = Net sales/ Balance of average receivables for each period (including accounts receivable and notes receivable arising from operations).
- (2) Average collection days = 365/Receivables turnover.
- (3) Inventory turnover = Cost of sales/Average inventory.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover = Cost of sales/Balance of average payables for each period (including accounts payable and notes payable arising from operations).
- (5) Average turnover days = 365/Inventory turnover rate.
- (6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.
- (7) Total assets turnover = Net sales/Average total assets.

### **4. Profitability**

- (1) Return on assets = [Profit or loss after tax + Interest expense x (1-Tax rate)] / Average total assets.
- (2) Return on equity = Profit or loss after tax/Average total equity.
- (3) Profit margin = Profit or loss after tax/Net sales.
- (4) Earnings per share = (Profit or loss attributable to owners of the parent company - Dividends from preferred stock)/Weighted average number of outstanding shares.

### **5. Cash flow**

- (1) Cash flow ratio = Net cash flow from operating activities/Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the last five years/(Capital expenditure + Increase in inventories + Cash dividends) in the last five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

### **6. Leverage:**

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income/ (Operating income - Interest expense).

## (II) Individual Financial Statements

Item	Year	Financial Analysis in the Last Five Years					As of March 31, 2021
		2016	2017	2018	2019	2020	
Financial structure %	Debt ratio (Note 1)	24.39	25.75	28.95	31.07	24.94	
	Ratio of long-term funds to property, plant and equipment (Note 1)	2,199.10	3,150.01	7,209.05	7,239.87	10,044.13	
Solvency %	Current ratio (%) (Note 1)	60.05	67.26	59.82	59.72	153.26	
	Quick ratio (%) (Note 1)	58.78	65.71	57.08	58.47	151.84	
	Interest coverage ratio (Note 2)	(19.94)	(16.30)	(13.98)	(14.61)	(10.58)	
Operating performance	Receivables turnover (times) (Note 3)	10.61	6.98	2.93	2.02	2.54	
	Average collection days (Note 3)	34.41	52.26	125.00	180.69	143.75	
	Inventory turnover (times) (Note 4)	1.69	3.48	3.04	2.67	5.08	
	Payables turnover (times)	5.04	7.27	11.55	8.38	9.22	
	Average turnover days (Note 4)	215.96	104.89	120.07	136.70	71.85	
	Property, plant and equipment turnover (times)	0.23	0.42	0.66	0.63	0.69	
	Total assets turnover (times)	0.01	0.02	0.03	0.03	0.03	
Profitability	Return on assets (%) (Note 2)	(4.38)	(4.11)	(4.11)	(4.58)	(3.02)	
	Return on equity (%) (Note 2)	(5.93)	(5.82)	(6.06)	(6.99)	(4.57)	
	Ratio of pre-tax income to paid-in capital (%) (Note 2)	(7.03)	(6.55)	(6.41)	(6.90)	(5.22)	
	Profit margin (%) (Note 2)	(550.17)	(219.24)	(141.63)	(168.68)	(121.13)	
	Earnings per share (NTD)(Note 2)	(0.70)	(0.66)	(0.64)	(0.69)	(0.52)	
Cash flow	Cash flow ratio (%) (Note 5)	0.00	0.00	0.00	3.71	0.25	
	Cash flow adequacy ratio (%) (Note 5)	45.42	38.71	46.56	213.14	0.00	
	Cash flow reinvestment ratio (%) (Note 5)	0.00	0.00	0.00	1.57	0.08	
Leverage	Operating leverage	0.01	(0.48)	(2.05)	(0.95)	(0.82)	
	Financial leverage	0.91	0.84	0.68	0.75	0.78	

The reasons for the increase or decrease of various financial ratios by at least 20% in the last two years are described below:

Note 1: Increase in debt ratio, ratio of long-term funds to property, plant and equipment, current ratio, and quick ratio: Mainly due to an increase in the value of the rising prices of the securities held.

Note 2: Increase in the interest coverage ratio, return on assets, and return on equity, as well as decrease in ratio of pre-tax net loss to paid-in capital, net loss rate, and loss per share (NTD): Mainly due to a decrease in the losses suffered by subsidiaries.

Note 3: Increase in receivables turnover (times) and decrease in average collection days: Mainly due to an increase in operating revenue in the current period and enhanced payment collection measures.

Note 4: Increase in inventory turnover (times) and decrease in average turnover days: Mainly due to an increase in sales during the current period.

Note 5: Decrease in cash flow ratio, cash flow adequacy, and Cash flow reinvestment ratio: Mainly due to a decrease in net cash inflow from operating activities in the current period compared to the prior year, caused by an increase in inventory of new products and slowdown in payments collected.

## **1. Financial structure**

- (1) Debt ratio = Total liabilities/Total assets.
- (2) Ratio of long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment.

## **2. Solvency**

- (1) Current ratio = Current assets/Current liabilities.
- (2) Quick ratio = (Current assets-Inventories-Prepayments)/Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense/ Interest expense in the current period.

## **3. Operating performance**

- (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = Net sales/ Balance of average receivables for each period (including accounts receivable and notes receivable arising from operations).
- (2) Average collection days = 365/Receivables turnover.
- (3) Inventory turnover = Cost of sales/Average inventory.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover = Cost of sales/Balance of average payables for each period (including accounts payable and notes payable arising from operations).
- (5) Average turnover days = 365/Inventory turnover rate.
- (6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.
- (7) Total assets turnover = Net sales/Average total assets.

## **4. Profitability**

- (1) Return on assets = [Profit or loss after tax + Interest expense x (1-Tax rate)] / Average total assets.
- (2) Return on equity = Profit or loss after tax/Average total equity.
- (3) Profit margin = Profit or loss after tax/Net sales.
- (4) Earnings per share = (Profit or loss attributable to owners of the parent company - Dividends from preferred stock)/Weighted average number of outstanding shares.

## **5. Cash flow**

- (1) Cash flow ratio = Net cash flow from operating activities/Current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the last five years/(Capital expenditure + Increase in inventories + Cash dividends) in the last five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

## **6. Leverage:**

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income/ (Operating income - Interest expense).

### **III. Audit Committees' Review Report**

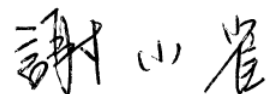
#### **Audit Committees' Review Report**

The board of directors submitted the Company's 2020 business report, financial statements, and a loss compensation proposal to us. After review, we found no inconsistency. Of them, the financial statements were also reviewed by Earnest & Co. Therefore, we have issued a report for your review in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

To

2021 General Shareholders' Meeting of Shihlin Paper Co., Ltd.

Convener of the Audit Committee : Hsiao-Chueh Hsieh



March 19, 2021

## IV. The 2020 Consolidated Financial Report

### Independent Auditors' Report

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

#### Opinion

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

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

#### Basis of Opinion

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

#### Key Audit Matters

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

##### Revenue recognition

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

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

##### Corresponding audit procedure

Our main audit procedure is as follows:

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

#### Tangible asset impairment assessment

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

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

Corresponding audit procedure

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

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

#### **Other Matters**

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control related to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

March 19, 2021

#### Notice to Readers

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

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

Shihlin Paper Co., Ltd. and Subsidiaries

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

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

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

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

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

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

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

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

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

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

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

(Continued on the next page)

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

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

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

Shihlin Paper Co., Ltd. and Subsidiaries

Notes to consolidated financial statements

For the Years Ended December 31, 2020 and 2019

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

(I) Organization and Operations

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

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

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

(II) The Authorization of Financial Statements

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

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

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

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

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

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

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

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

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

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

#### (IV) Summary of Significant Accounting Policies

##### 1. Statement of compliance

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

##### 2. Basis of consolidation

###### (1) Principles for preparing consolidated financial statements

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

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

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

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

###### Allocation of the total comprehensive income to non-controlling interests

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

###### Changes in equity of ownership of subsidiaries

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

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

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

## (2) Subsidiaries included in consolidated financial statements

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

## 3.Foreign currency

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

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

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

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

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

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

#### 5. Cash and cash equivalents

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

#### 6. Financial instruments

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

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

##### Financial asset

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

##### (1) Measurement types

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

##### ① Financial assets at FVTPL

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

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

##### ② Financial assets at amortized cost

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

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

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

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

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

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

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

(2) Impairment of financial assets

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

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

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

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

(3) Derecognition of financial assets

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

Equity instrument

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

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

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

#### Financial liability

##### (1) Subsequent measurement

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

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

##### (2) Derecognition of financial liabilities

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

#### 7. Inventories

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

#### 8. Property, Plant and Equipment

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

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

Self-owned land is not recognized in depreciation.

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

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

#### 9. Investment Property

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

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

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

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

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

#### 10. Intangible asset

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

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

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

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

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

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

#### 12. Leases

##### (1) The Group as lessor

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

##### (2) The Group as lessee

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

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

### 13. Borrowing costs

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

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

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

### 14. Post-employment benefits

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

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

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

### 15. Revenue recognition

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

#### (1) Income from sales of goods

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

#### (2) Income from labor services

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

### 16. Income tax

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

#### (1) Tax currently payable

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

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

(2) Deferred tax

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

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

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

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

(3) Current and deferred income tax

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

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

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

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

Tangible asset impairment assessment

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

(VI) Summary of Significant Accounting Items

1. Cash and cash equivalents

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

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

2. Financial assets at FVTPL

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

3. Financial assets at FVTOCI

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

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

4. Financial assets at amortized cost

Item	2020.12.31	2019.12.31
Time deposit	\$ 1,396	\$ —

5. Notes and accounts receivable - net

Item	2020.12.31	2019.12.31
Note receivable	\$ 529	\$ 593
Trade receivable	\$ 48,864	\$ 49,050

In principle, the Group's credit period for trade receivable is 30 days after the invoice date or OA 30–90 days. The Group estimates the irrecoverable amount in trade

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

None of the Group's notes receivable is overdue.

Aging analysis of trade receivable

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

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

6. Inventories

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

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

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

7. Prepayments

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

8. Property, Plant and Equipment

Item	2020.12.31	2019.12.31
Land	\$ 1,252,071	\$ 1,024,068
Buildings	26,476	33,977
Equipment	3,913	4,525

Other Equipment	3,870	5,362
Unfinished construction project	24,713	-
Total net amount	<u>\$ 1,311,043</u>	<u>\$ 1,067,932</u>

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

Cost	Land	Buildings	Equipment	Transport Equipmen t	Other Equipmen t	Unfinished constructio n project	Total
Balance as of Jan. 1, 2019	\$ 1,024,068	\$ 107,425	\$ 17,944	\$ 5,962	\$ 21,972	\$ -	\$ 1,177,371
Additions	-	-	-	-	-	-	-
Balance as of Dec. 31, 2019	<u>\$ 1,024,068</u>	<u>\$ 107,425</u>	<u>\$ 17,944</u>	<u>\$ 5,962</u>	<u>\$ 21,972</u>	<u>\$ -</u>	<u>\$ 1,177,371</u>
Accumulated depreciation and impairment							
Balance as of Jan. 1, 2019	\$ -	\$ 65,480	\$ 12,653	\$ 5,962	\$ 13,983	\$ -	\$ 98,078
Depreciation expense	-	7,968	766	-	2,627	-	11,361
Balance as of Dec. 31, 2019	<u>\$ -</u>	<u>\$ 73,448</u>	<u>\$ 13,419</u>	<u>\$ 5,962</u>	<u>\$ 16,610</u>	<u>\$ -</u>	<u>\$ 109,439</u>
Net amount as of Dec. 31, 2019	<u>\$ 1,024,068</u>	<u>\$ 33,977</u>	<u>\$ 4,525</u>	<u>\$ -</u>	<u>\$ 5,362</u>	<u>\$ -</u>	<u>\$ 1,067,932</u>

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

Buildings	2–55 years
Equipment	1–15 years

Transport Equipment	5–6 years
Other Equipment	1-15 years

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

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

#### 9. Investment Property

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

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

Cost	Land	Building	Investment property under construction	Total
Balance as of Jan. 1, 2019	\$ 4,467,701	\$ 478,578	\$ 123,231	\$ 5,069,510
Additions	-	429	2,492	2,921
Balance as of Dec. 31, 2019	\$ 4,467,701	\$ 479,007	\$ 125,723	\$ 5,072,431

<u>Accumulated depreciation and impairment</u>			
Balance as of Jan. 1, 2019	\$	-	\$ 416,998
Depreciation expense	-	<u>8,500</u>	<u>8,500</u>
Balance as of Dec. 31, 2019	\$	<u>-</u>	<u>\$ 425,498</u>
Net amount as of Dec. 31, 2019	\$	<u>4,467,701</u>	<u>\$ 53,509</u>
	\$	<u>125,723</u>	<u>\$ 4,646,933</u>

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

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

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

#### 10. Intangible asset

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

<u>Cost</u>	<u>Computer software</u>		<u>Trademark</u>		<u>Total</u>	
Balance as of Jan. 1, 2020	\$	13,535	\$	1,701	\$	15,236
Additions		<u>1,058</u>		-		<u>1,058</u>
Balance as of Dec. 31, 2020	\$	<u>14,593</u>	\$	<u>1,701</u>	\$	<u>16,294</u>

<u>Accumulated amortization</u>						
Balance as of Jan. 1, 2020	\$	4,852	\$	531	\$	5,383
Amortization expense		<u>1,343</u>		85		<u>1,428</u>
Balance as of Dec. 31, 2020	\$	<u>6,195</u>	\$	<u>616</u>	\$	<u>6,811</u>
Net amount as of Dec. 31, 2020	\$	<u>8,398</u>	\$	<u>1,085</u>	\$	<u>9,483</u>

<u>Cost</u>	<u>Computer software</u>		<u>Trademark</u>		<u>Total</u>	
Balance as of Jan. 1, 2019	\$	13,535	\$	1,701	\$	15,236
Additions		-		-		-
Balance as of Dec. 31, 2019	\$	<u>13,535</u>	\$	<u>1,701</u>	\$	<u>15,236</u>

#### Accumulated amortization

Balance as of Jan. 1, 2019	\$	3,608	\$	446	\$	4,054
Amortization expense		1,244		85		1,329
Balance as of Dec. 31, 2019	\$	<u>4,852</u>	\$	<u>531</u>	\$	<u>5,383</u>
Net amount as of Dec. 31, 2019	\$	<u>8,683</u>	\$	<u>1,170</u>	\$	<u>9,853</u>

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

Computer software	1–10 years
Trademark	20 years

#### 11. Short-term borrowings

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

#### 12. Short-term bills payable

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

#### 13. Post-employment benefit plans

##### (1) Defined contribution plans

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

(2) Defined benefit plan

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

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

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

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

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

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

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

Fair value of plan assets, at the end of year	\$	<u>2,429</u>	\$	<u>2,295</u>
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The information on the use of labor pension funds includes return on the funds and fund asset allocation. Please refer to the information published on the website of the Bureau of Labor Funds.

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

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

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

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

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

	Measurement date	
	2020.12.31	2019.12.31
Discount rate	0.35%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

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

Increase by 0.25%	3.54%	3.64%
Decrease by 0.25%	(3.41%)	(3.49%)

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

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

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

#### 14. Equity

##### (1) Share capital of ordinary shares

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

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

##### (2) Retained earnings and dividends policy

###### ① Dividends policy in the Articles of Incorporation

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

In addition, according to the Company's dividends policy, the distribution of earnings may be conducted in cash and stock dividends. However, due to the changeable industrial environment of the Company, and it is at a tough stage of development, the Company considers the overall industrial environment and manages to achieve stable development and sustainable operation in line with the long-term financial planning and future capital needs; thus, only after the required funds are financed by means of retained earnings or issuance of stock dividends, the remaining earnings will be distributed by means of cash dividends.

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.

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

#### 15. Operating income

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

#### 16. Other income

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

#### 17. Other gains or losses

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

#### 18. Financial costs

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

#### 19. Additional information on the nature of expenses

Net income includes the following items:

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

	\$ 19,980	\$ 21,190
Total		
	2020	2019
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 20,127	\$ 32,121
Direct operating expenses of investment property that does not generate rental income	45,876	65,195
Total	\$ 66,003	\$ 97,316
R&D expenditures expensed when incurred	\$ 9,034	\$ 9,140
	2020	2019
Employee benefits expense		
Post-employment benefits (Note (6).13)		
Defined contribution plans	\$ 2,852	\$ 2,561
Defined benefit plan	-	30
Salaries and bonuses	52,930	45,410
Labor and health insurance expenses	5,527	5,060
Other employee benefit expenses	2,888	2,560
Total	\$ 64,197	\$ 55,621

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

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

## 20. Income tax

### (1) Income tax recognized in profit or loss

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

	2020	2019
Loss before tax	\$ (135,685)	\$ (179,534)
Income tax expense at the statutory tax rate for net loss before tax	\$ (27,137)	\$ (35,907)
Tax effects of Adjustments:		
Income from tax cessation and exemption	(5,068)	(3,925)
Effects of non-deductible expenses when determining taxable income	58	43

	2020	2019
Temporary difference	(271)	(2,606)
Loss carryforwards in the current period	32,418	42,395
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

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

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

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

	2020.12.31	2019.12.31
Loss carryforwards	\$ 1,506,450	\$ 1,533,673
Deductible temporary difference	27,395	26,619
Total	<u>\$ 1,533,845</u>	<u>\$ 1,560,292</u>

(4) Income tax assessments

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

## 21. Earnings per Share

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

## 22. Material lease arrangements

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

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

## 23. Capital management

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

## 24. Financial instruments

### (1) Information on fair value

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

### ② Financial instruments at fair value

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; and

- Level 3 fair value refers to the fair value of the inputs for an asset or liability based on unobservable market data (unobservable inputs) measured through valuation techniques.

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

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

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

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

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

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

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

(2) Categories of financial instruments

Financial asset	2020.12.31	2019.12.31
Financial assets at FVTPL	\$ 14,855	\$ 15,410
Financial assets at FVTOCI	1,610,685	582,138
Financial assets at amortized cost (Note)	76,236	167,920
Total	<u>\$ 1,701,776</u>	<u>\$ 765,468</u>

Financial liability	2020.12.31	2019.12.31
At amortized cost		

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

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

(3) Financial risk management objective and policies

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

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

(4) Market risk

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

① Interest rate risk

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

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

② Other price risks

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

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

(5) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk

mainly arises from receivables from operating activities, bank deposits from investing activities, fixed-income investments, and other financial instruments. Operation-related credit risks and financial credit risks are managed separately.

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

①Credit risk related to operations

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

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

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 Group's transaction and contract counterparties are creditworthy banks and financial institutions with stable ratings, there are no material concerns about default, so there is no material credit risk.

(6) Liquidity risk management

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

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

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

	Dec. 31, 2020				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 877,000	\$ -	\$ 1,200,000	\$ 10,500	\$ 2,087,500
Short-term bills payable	376,752	-	-	-	376,752
Accounts payable	4,412	2,752	-	-	7,164
Other payables	10,071	1,326	-	10,173	21,570
Other current liabilities	221	-	-	-	221
Guarantee deposits received	-	-	-	16,954	16,954
	<u>\$ 1,268,456</u>	<u>\$ 4,078</u>	<u>\$ 1,200,000</u>	<u>\$ 37,627</u>	<u>\$ 2,510,161</u>

Dec. 31, 2019

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

(VII) Related party transaction

1. Name and relationship

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

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

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

(1) Business transaction

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

For transactions between the Group and related parties, the transaction price and terms of receipt and payment are not significantly different from those with non-related parties.

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

(3) Remuneration to key management personnel

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

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

(VIII) Assets pledged

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

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

(IX) Significant Contingent Liabilities and Unrecognized Commitments

- As of December 31, 2020 and 2019, the amount in guaranteed notes issued by the Group for bank borrowings was NT\$2,270,000 thousand and NT\$2,190,000 thousand, respectively.
- For the information on endorsement/ guarantee provided by the Group for others, please refer to Table 2.
- As of December 31, 2020, the outsourcing construction contracts signed by subsidiaries as follows:

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

4. Others:

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

The National Taxation Bureau of Taipei, Ministry of Finance (hereinafter referred to as the "Bureau") alleged that the Company did not obtain a certificate in accordance with the law and used a government uniform invoice issued by a non-transaction counterparty as an input documentary evidence to offset the sales tax, and levied a business tax for evasion in the amount in NT\$2,931 thousand and NT\$71,134 thousand, respectively, and imposed of an administrative penalty of

NT\$1,466 thousand and 35,567 thousand, respectively. In order to avoid unnecessary and unpredictable risks to capital movement and business operations in 2014, the Company has temporarily paid the taxes when filing a lawsuit and accounted for it in other gains and losses.

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

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

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

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

(X) Material disaster losses: None.

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

(XII) Others: None.

(XIII) Additional Disclosures

1. The Group's significant transactions

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

2. Information on investees: See Table 5.

3. Information on investments in mainland China: None.

4. Information on main investors: See Table 6.

(XIV) Segments Information

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

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

2020	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Income from external customers	\$ 115,784	\$ 43,689	\$ -	\$ 159,473
Inter-segment income	97	28	(125)	-
Total income	<u>\$ 115,881</u>	<u>\$ 43,717</u>	<u>\$ (125)</u>	<u>\$ 159,473</u>
Interest income	<u>\$ 21</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 24</u>
Interest expense	<u>\$ 11,896</u>	<u>\$ 13,690</u>	<u>\$ -</u>	<u>\$ 25,586</u>
Depreciation and amortization	<u>\$ 9,858</u>	<u>\$ 10,122</u>	<u>\$ -</u>	<u>\$ 19,980</u>
segment profit or loss	<u>\$ (54,843)</u>	<u>\$ (80,842)</u>	<u>\$ -</u>	<u>\$ (135,685)</u>
Capital expenditure of non-current assets	<u>\$ 3,238</u>	<u>\$ 15,632</u>	<u>\$ -</u>	<u>\$ 18,870</u>
Assets from external entities	\$ 1,875,950	\$ 5,646,043	\$ -	\$ 7,521,993
Inter-segment transactions	10	-	(10)	-
Segment assets	<u>\$ 1,875,960</u>	<u>\$ 5,646,043</u>	<u>\$ (10)</u>	<u>\$ 7,521,993</u>

2020	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Liabilities from external entities	<u>\$ 1,148,020</u>	<u>\$ 2,961,288</u>	<u>\$ -</u>	<u>\$ 4,109,308</u>

2019	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Income from external customers	\$ 117,831	\$ 51,623	\$ -	\$ 169,454
Inter-segment income	-	17	(17)	-
Total income	<u>\$ 117,831</u>	<u>\$ 51,640</u>	<u>\$ (17)</u>	<u>\$ 169,454</u>
Interest income	<u>\$ 26</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ 34</u>
Interest expense	<u>\$ 12,126</u>	<u>\$ 14,017</u>	<u>\$ -</u>	<u>\$ 26,143</u>
Depreciation and amortization	<u>\$ 10,271</u>	<u>\$ 10,919</u>	<u>\$ -</u>	<u>\$ 21,190</u>
segment profit or loss	<u>\$ (70,180)</u>	<u>\$ (109,354)</u>	<u>\$ -</u>	<u>\$ (179,534)</u>
Capital expenditure of non-current assets	<u>\$ 429</u>	<u>\$ 2,492</u>	<u>\$ -</u>	<u>\$ 2,921</u>
Assets from external entities	\$ 952,056	\$ 5,635,207	\$ -	\$ 6,587,263
Inter-segment transactions	-	3	(3)	-

Segment assets	<u>\$ 952,056</u>	<u>\$ 5,635,210</u>	<u>\$ (3)</u>	<u>\$ 6,587,263</u>
Segment liabilities	<u>\$ 1,197,759</u>	<u>\$ 2,869,597</u>	<u>\$ -</u>	<u>\$ 4,067,356</u>

## 2. Information on segments by location

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

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

## 3. Information on major customers

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

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

Shihlin Paper Co., Ltd.

Financing provided to others

For the Years Ended December 31, 2020

Table 1

Unit: NTD thousand

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

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

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

Shihlin Paper Co., Ltd. and Subsidiaries

Endorsement/ guarantee provided

For the Years Ended December 31, 2020

Table 2

Unit: NTD thousand

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

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

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

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

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

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

Table 3

Unit: NTD thousand

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

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

Shihlin Paper Co., Ltd. and Subsidiaries

Significant intercompany transactions  
For the Years Ended December 31, 2020

Table 4

Unit: NTD thousand

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

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

1. Parent to subsidiary
2. Subsidiary to subsidiary

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

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

Table 5

Unit: NTD thousand

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

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

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

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

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

Table 6

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

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

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

## V. The 2020 Individual Financial Report

### Independent Auditors' Report

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

#### **Opinion**

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

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

#### **Basis of Opinion**

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

#### **Key Audit Matters**

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

##### Revenue recognition

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

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

Our main audit procedure is as follows:

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

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

#### Tangible asset impairment assessment

For the accounting policy for tangible asset impairment, please refer to Note (4) 12 of the standalone financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (5) of the standalone financial statements.

We assess whether there are any signs that tangible assets may have been impaired at each balance sheet date. If there are any signs of impairment, it is necessary to estimate the asset's recoverable amount. If it is impossible to estimate the recoverable amount in an individual asset, estimate the recoverable amount in the cash-generating unit to which the asset belongs. Since the recoverable amount estimation involves many assumptions and estimates, the assessment of tangible asset impairment is a key audit item.

#### Corresponding audit procedure

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

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

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

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

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

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

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

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

1. Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control related to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in financial statements in our auditors' report to the relevant disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure, and content of the standalone financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the standalone financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements for the year ended December 31, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be

communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Earnest & Co., CPAs.  
Taipei, Taiwan (Republic of China)  
March 19, 2021

Notice to Readers

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

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

Shihlin Paper Co., Ltd.  
Balance Sheets  
December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

Asset		Note:	Dec. 31, 2020		Dec. 31, 2019		Liabilities and Equity		Note:	Dec. 31, 2020		Dec. 31, 2019	
Code	Accounting Items		Amount	%	Amount	%	Code	Accounting Items		Amount	%	Amount	%
Current assets													
1100	Cash and cash equivalents	(IV) and (VI)	\$ 9,449	0.21	\$ 20,797	0.57	2100	Short-term loans	(VI)	\$ 700,000	15.39	\$ 584,000	15.98
1120	FVTOCI financial assets	(IV) and (VI)	1,605,525	35.31	576,697	15.78	2110	Short-term notes and bills payable	(VI)	376,752	8.29	492,783	13.48
							2130	Contract liability	(IV)	49	0.00	189	0.01
1150	Note receivable	(IV) and (VI)	529	0.01	593	0.02	2170	Accounts payable	(VII)	6,718	0.15	7,921	0.21
1170	Net accounts receivable	(IV), (VI), and (VII)	44,616	0.98	42,495	1.16	2200	Other payables	(VII)	9,806	0.21	10,723	0.29
1200	Other receivables	(IV) and (VII)	407	0.01	98	0.00	2300	Other current liabilities		364	0.01	258	0.01
1310	Inventories	(IV) and (VI)	12,490	0.27	9,239	0.25	21XX	Total current liabilities		1,093,689	24.05	1,095,874	29.98
1410	Prepayments	(VII)	3,043	0.07	4,516	0.12							
1470	Other current assets		78	0.00	54	0.00							
11XX	Total current assets		1,676,137	36.86	654,489	17.90							
Non-current liabilities													
							2570	Deferred income tax liabilities		29,405	0.65	29,405	0.80
							2645	Guarantee deposit received		10,983	0.24	10,416	0.29
							25XX	Total non-current liabilities		40,388	0.89	39,821	1.09
							2XXX	Total liabilities		1,134,077	24.94	1,135,695	31.07
Non-current assets													
1517	FVTOCI financial assets	(IV) and (VI)	5,160	0.11	5,441	0.15		Equity attributable to owners of the parent company					
1551	Investment under equity method	(IV) and (VI)	2,697,034	59.32	2,820,333	77.15	3100	Share capital	(VI)				
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	34,379	0.76	35,356	0.97	3110	Common stock		2,600,391	57.19	2,600,391	71.13
1760	Investment Property	(IV), (VI), and (VIII)	124,986	2.75	130,663	3.57		Retained earnings	(VI)				
1780	Intangible asset	(IV) and (VI)	8,398	0.18	8,656	0.24	3320	Special reserve		1,534,420	33.75	1,534,420	41.97
1975	Net defined benefit assets	(IV) and (VI)	263	0.01	305	0.01	3350	Accumulated deficit		(1,779,403)	(39.13)	(1,643,634)	(44.96)
1900	Other non-current assets		405	0.01	359	0.01	3300	Total retained earnings		(244,983)	(5.38)	(109,214)	(2.99)
15XX	Total non-current assets		2,870,625	63.14	3,001,113	82.10	3400	Other equity interest		1,057,277	23.25	28,730	0.79
							3XXX	Total equity		3,412,685	75.06	2,519,907	68.93
	Total assets		\$ 4,546,762	100.00	\$ 3,655,602	100.00		Total liabilities and equity		\$ 4,546,762	100.00	\$ 3,655,602	100.00

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

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

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

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

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

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

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

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

	2020	2019
Cash flows from operating activities:		
Net loss before tax	\$ (135,685)	\$ (179,534)
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	8,371	8,946
Amortization expenses	1,316	1,216
Interest expenses	11,720	11,502
Interest income	(8)	(15)
Dividend income	(25,285)	(19,416)
Share of profit or loss of subsidiaries accounted for using the equity method	123,286	163,535
Changes in operating assets and liabilities:		
Decrease (increase) in notes receivable	64	(40)
Decrease (increase) in trade receivable	(2,121)	19,191
Increase in other receivables	(309)	(81)
Decrease (increase) in inventories	(3,251)	15,345
Decrease (increase) in prepayments	1,473	(880)
Decrease (increase) in other current assets	(24)	37
Increase in net defined benefit assets	(42)	(11)
Increase (decrease) in contract liability	(140)	189
Increase (decrease) in accounts payable	(1,203)	2,171
Decrease in other payables	(860)	(682)
Increase (decrease) in other current liability	106	(295)
Cash inflow (outflow) from operating activities	(22,592)	21,178
Interest received	8	15
Dividend received	25,298	19,416
Net cash inflow from operating activities	2,714	40,609
Cash flows from investing activities:		
Acquisition of FVTOCI financial assets	-	(198)
Increase in investment under the equity method	-	(100,000)
Acquisition of property, plant and equipment	(438)	-
Acquisition of investment property	(1,279)	(429)
Acquisition of intangible assets	(1,058)	-
Decrease (increase) in other non-current assets	(46)	124
Net cash used in investing activities	(2,821)	(100,503)

(Continued on the next page)

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

(Continued from the previous page)	2020	2019
Cash flows from financing activities:		
Increase in short-term loans	\$ 116,000	\$ 263,000
Decrease in short-term notes and bills payable	(116,000)	(197,000)
Increase (decrease) in guarantee deposit received	567	(310)
Interest paid	(11,808)	(10,641)
Net cash inflow (outflow) from financing activities	(11,241)	55,049
Decrease in cash and cash equivalents	(11,348)	(4,845)
Cash and cash equivalents, beginning of period	20,797	25,642
Cash and cash equivalents, end of period	\$ 9,449	\$ 20,797

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

Shihlin Paper Co., Ltd.  
Notes to Financial Statements  
For the Years Ended December 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(I) Organization and operations

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

The Company's main business items are the sales of paper processed products, wet wipes, facial masks, skin care products, and toiletries, as well as leasing of assets.

(II) The Authorization of Financial Statements

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

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

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

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

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

Effective Date Issued by IASB

New, Revised, or Amended Standards and Interpretations

Effective on the published date

Amendments to IFRS 4 “Deferral of Effective Date of IFRS 9”

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16  
“Interest Rate Benchmark Reform - Phase 2”

January 1, 2021

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

New, Revised, or Amended Standards and Interpretations

Effective Date Issued by IASB

“Annual Improvement for the Cycle of 2018-2020”

January 1, 2022

Amendment to IFRS 3 "Reference to the Conceptual Framework"

January 1, 2022

Amendments to IFRS 10 and IAS 28 "Sale or Contribution of  
Assets between an Investor and its Associate or Joint Venture"  
IFRS 17 "Insurance Contracts"

To be determined by IASB

January 1, 2023

Amendments to IFRS 17

January 1, 2023

Amendments to IAS 1 "Classification of Liabilities as Current or  
Non-Current"

January 1, 2023

Amendments to IAS 16 "Property, Plant and Equipment - Proceeds  
before Intended Use"

January 1, 2022

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

(IV) Summary of Significant Accounting Policies

1. Statement of compliance

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

2. Basis of preparation

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

3. Foreign currency

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

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

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

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

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

## 5. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term and highly liquid investments that can be converted into fixed cash deposits at any time with little risk of value changes.

## 6. Financial instruments

Financial assets and financial liabilities shall be recognized in the standalone balance sheets when the Company becomes a party to the financial instrument contract.

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

### Financial asset

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

#### (1) Measurement types

The company's financial assets are those measured at amortized cost and those measured at fair value through other comprehensive income.

##### ① AC financial assets

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

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

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

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

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

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

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

#### (2) Impairment of financial assets

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

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

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

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

### (3) Derecognition of financial assets

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

### Equity instrument

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

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

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

### Financial liability

#### (1) Subsequent measurement

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

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

#### (2) Derecognition of financial liabilities

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

## 7. Inventories

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

## 8. Investment under equity method

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

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

When the Company's change in the equity of ownership of a subsidiary does not result in the loss of control of the subsidiary, it is an equity transaction and is treated as a transaction with owners. The difference between the carrying amount in an investment and the fair value of the consideration paid or received is directly recognized as equity.

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

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

## 9. Property, Plant and Equipment

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

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

Self-owned land is not recognized in depreciation.

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

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

#### 10. Investment Property

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

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

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

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

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

#### 11. Intangible asset

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

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

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

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

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

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

### 13. Leases

#### (1) The Company as lessor

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

#### (2) The Company as lessee

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

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

### 14. Borrowing costs

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

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

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

### 15. Post-employment benefits

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

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

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

### 16. Revenue recognition

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

(1) Income from sales of goods

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

(2) Income from labor services

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

17. Income tax

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

(1) Tax currently payable

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

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

(2) Deferred tax

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

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

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

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

(3) Current and deferred income tax

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

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

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

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

Tangible asset impairment assessment

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

(VI) Summary of Significant Accounting Items

1. Cash and cash equivalents

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

2. FVTOCI financial assets

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

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

3. Notes and accounts receivable - net

Item	2020.12.31	2019.12.31
Note receivable	\$ 529	\$ 593
Trade receivable	\$ 44,616	\$ 42,495

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

None of the Company's notes receivable is overdue.

#### Aging analysis of trade receivable

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

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

#### 4. Inventories

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

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

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

#### 5. Investment under equity method

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

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

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

## 6. Property, Plant and Equipment

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

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

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

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

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

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

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

#### 7. Investment Property

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

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

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

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

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

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

#### 8. Intangible asset

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

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

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

#### 9.Short-term borrowings

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

#### 10.Short-term bills payable

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

#### 11.Post-employment benefit plans

##### (1) Defined contribution plans

The pension system of the Labor Pension Act applicable to the Company is a defined contribution plan managed by the government. An amount in 6% of each employee's monthly salary is allocated to the employee's individual account of the Bureau of Labor Insurance. Please Note (6).17 for the pension expenses recognized by the Company in accordance with the defined contribution plan.

##### (2) Defined benefit plan

The pension system of the Labor Pension Act applicable to the Company is a defined benefit plan managed by the government. The payment of employee pension is calculated based on the length of service and the average salary of the 6 months prior to the retirement approval. The Company contributes 2% of each employee's total monthly salary for their retirement pensions, which will be deposited into the special account of Bank of Taiwan by the Supervisory Committee of Business Entities' Labor Retirement Reserve in its own name. Where the estimated balance of the special account before the end of the year is insufficient to pay the workers who

are expected to meet the retirement conditions in the next year, the difference will be compensated before the end of March of the following year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor and the Company has no right to influence its investment management strategy.

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

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

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

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

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

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

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

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

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

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

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

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

	Measurement date	
	2020.12.31	2019.12.31
Discount rate	0.35%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

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

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

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

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

## 12. Equity

### (1) Share capital of ordinary shares

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

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

### (2) Retained earnings and dividends policy

#### ① Dividends policy in the Articles of Incorporation

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

In addition, according to the Company's dividends policy, the distribution of earnings may be conducted in cash and stock dividends. However, due to the changeable industrial environment of the Company, and it is at a tough stage of development, the Company considers the overall industrial environment and manages to achieve stable development and sustainable operation in line with the long-term financial planning and future capital needs; thus, only after the required funds are financed by means of retained earnings or issuance of stock dividends, the remaining earnings will be distributed by means of cash dividends.

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

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

### 13. Operating revenue

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

### 14. Other income

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

### 15. Other gains and losses

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

### 16. Finance costs

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

### 17. Additional information on the nature of expenses

Net income includes the following items:

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

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

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

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

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

## 18. Income tax

### (1) Income tax recognized in profit or loss

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

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

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

(2) Information on loss carryforwards

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

<u>Balance</u>	<u>Deadline</u>
\$ 106,781 (Approved)	2022
117,355 (Approved)	2023
140,524 (Approved)	2024
294,658 (Approved)	2025
50,213 (Approved)	2026
53,214 (Approved)	2027
(Not yet approved)	
13,959 (Not yet approved)	2028
(Not yet approved)	
33,510 (Not yet approved)	2029
(Not yet approved)	
<u>13,315 (Not yet approved)</u>	2030
<u><u>\$ 823,529</u></u>	

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

	<u>2020.12.31</u>	<u>2019.12.31</u>
Loss carryforwards	\$ 787,528	\$ 855,594
Deductible temporary difference	<u>16,326</u>	<u>16,586</u>
Total	<u><u>\$ 803,854</u></u>	<u><u>\$ 872,180</u></u>

(4) Income tax assessments

The tax authorities have approved the filings of profit-seeking enterprise income tax by the Company up to the year 2017. However, the Company does not agree with the contents approved from 2007 to 2012 and has applied for a reinspection. Please refer to Note (9) for details.

19. Earnings per Share

	<u>2020</u>	<u>2019</u>
Basic earnings per share	<u>\$ (0.52)</u>	<u>\$ (0.69)</u>

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

	<u>2020</u>	<u>2019</u>
Net loss attributable to owners of the company (NTD thousand)	<u>\$ (135,685)</u>	<u>\$ (179,534)</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

20. Material lease arrangements

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

<u>Summary</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Less than 1 year	\$ 46,100	\$ 43,904
1-2 years	33,392	43,356
2-3 years	29,508	31,145
3-4 years	29,549	27,269
4-5 years	29,549	27,269
Over 5 years	<u>365,523</u>	<u>391,698</u>
Total	<u>\$ 533,621</u>	<u>\$ 564,641</u>

24. Capital management

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

25. Financial instruments

(1) Information on fair value

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

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 measured at fair value on a repetitive basis are as follows:

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

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

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

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

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

(2) Categories of financial instruments

Financial asset	2020.12.31	2019.12.31
Financial assets at FVTOCI	\$ 1,610,685	\$ 582,138
AC financial assets (Note)	55,406	64,342
Total	\$ 1,666,091	\$ 646,480

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

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

(3) Financial risk management objective and policies

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

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

(4) Market risk

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

① Interest rate risk

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

The sensitivity analysis of interest rate risk is based on the assumption that the amount in liabilities outstanding at the balance sheet date is outstanding throughout the period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Company's net loss for 2020 and 2019 will increase/decrease by NT\$2,692 thousand.

② Other price risks

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

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

(5) Credit risk management

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

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

① Credit risk related to operations

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

As of December 31, 2020 and 2019, the top three customers accounted for 82.62% and 82.96% of the Company's balance of trade receivables.

② Financial credit risk

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

(6) Liquidity risk management

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

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

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

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

	<u>\$ 1,087,168</u>	<u>\$ 3,194</u>	<u>\$ -</u>	<u>\$ 14,042</u>	<u>\$ 1,104,404</u>
	Dec. 31, 2019				
	Less than 30 days	31–60 days	61–90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ -	\$ 484,000	\$ 100,000	\$ -	\$ 584,000
Short-term bills payable	492,783	-	-	-	492,783
Accounts payable	4,414	3,435	-	72	7,921
Other payables	5,855	407	-	4,461	10,723
Other current liabilities	140	-	-	-	140
Guarantee deposit received	-	-	-	10,416	10,416
	<u>\$ 503,192</u>	<u>\$ 487,842</u>	<u>\$ 100,000</u>	<u>\$ 14,949</u>	<u>\$ 1,105,983</u>

(VII) Related party transaction

1. Name and relationship

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

## 2. Business transaction

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

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

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

## 4. Remuneration to key management personnel

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

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

(VIII) Assets pledged

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

	2020.12.31		2019.12.31
Property, plant and equipment			
Land	\$ 3,003	\$	3,003
Net amount in buildings	-		32
	<u>3,003</u>		<u>3,035</u>
Investment property:			
Land	28,604		28,604
Net amount in buildings	32,818		38,187
	<u>61,422</u>		<u>66,791</u>
Total	<u>\$ 64,425</u>	<u>\$</u>	<u>69,826</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2020 and 2019, the amount in guaranteed notes issued by the Company for bank borrowings was NT\$1,740,000 thousand and NT\$1,640,000 thousand, respectively.
2. As of December 31, 2020 and 2019, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. for bank borrowings was NT\$800,000 thousand. The amount drawn was NT\$450,000 thousand.
3. Others:
  - (1) An incident for business taxes from January 2007 to February 2007 and another one for business taxes from March 2007 to December 2011:

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

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

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

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

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

(X) Material disaster losses: None.

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

(XII) Others: None.

(XIII) Additional Disclosures

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

(XIV) Segments Information

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

Shihlin Paper Co., Ltd.

Financing provided to others

For the Years Ended December 31, 2020

Table 1

Unit: NTD thousand

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

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

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

Shihlin Paper Co., Ltd.  
Endorsement/ guarantee provided  
For the Years Ended December 31, 2020

Table 2

Unit: NTD thousand

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

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

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

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

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

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

Table 3

Unit: NTD thousand

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

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

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

Table 4

Unit: NTD thousand

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

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

(Note 2): It has resumed business since June 1, 2020.

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

Table 5

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

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

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

**VI. Where the Company and its affiliates have Encountered Financial Difficulties in the Last Year and As of the Publication Date of the Annual Report:**

None

## Analysis and Review of Financial Position and Financial Performance and Risk Issues

### I. Financial Position

Unit: NTD thousand

Item \ Year	2020	2019	Difference		Description
			Amount	%	
Current asset	1,792,229	856,266	935,963	109.31	1
Property, Plant and Equipment	1,311,043	1,067,932	243,111	22.76	2
Intangible asset	9,483	9,853	(370)	(3.76)	
Other assets	4,409,238	4,653,212	(243,974)	(5.24)	
Total assets	7,521,993	6,587,263	934,730	14.19	
Current liabilities	2,496,314	2,455,810	40,504	1.65	
Non-current liabilities	1,612,994	1,611,546	1,448	0.09	
Total liabilities	4,109,308	4,067,356	41,952	1.03	
Equity attributable to owners of the parent company	3,412,685	2,519,907	892,778	35.43	1
Share capital	2,600,391	2,600,391	0	0.00	
Capital surplus	0	0	0	0.00	
Retained earnings	(244,983)	(109,214)	(135,769)	124.31	3
Other equities	1,057,277	28,730	1,028,547	3,580.05	1
Treasury stock	0	0	0	0.00	
Non-controlling interests	0	0	0	0.00	
Total Equity	3,412,685	2,519,907	892,778	35.43	

Description of significant changes:

1. Increase in current assets and other equities was mainly due to an increase in unrealized gains on financial assets at FVTOCI held at the end of the period.
2. Increase in property, plant and equipment was due to reclassification from other assets.
3. Decrease in retained earnings was mainly due to the net loss suffered in the current period.

## II. Financial Performance

Unit: NTD thousand

Item \ Year	2020	2019	Difference		Description
			Amount	%	
Operating income	159,473	169,454	(9,981)	(5.89)	
Gross income from operations	53,508	52,232	1,276	2.44	
Operating gains or losses	(152,414)	(184,403)	31,989	(17.35)	
Non-operating income and expense	16,729	4,869	11,860	243.58	1
Net profit (loss) before tax	(135,685)	(179,534)	43,849	(24.42)	2
Net profit (loss) on continuing operations for the current period	(135,685)	(179,534)	43,849	(24.42)	2
Loss on discontinued operations	-	-	-	-	
Net profit (loss) for the current period	(135,685)	(179,534)	43,849	(24.42)	2
Other comprehensive income for the current period (net of tax)	1,028,463	78,854	949,609	1,204.26	3
Total comprehensive income (loss) for the current period	892,778	(100,680)	993,458	(986.75)	3
Net loss attributable to owners of the parent company	(135,685)	(179,534)	43,849	(24.42)	2
Net profit attributable to non-controlling interests	-	-	-	-	
Comprehensive income (loss) attributable to owners of the parent company	892,778	(100,680)	993,458	(986.75)	3
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	
Earnings per Share	(0.52)	(0.69)	0.17	(24.64)	2

Description of significant changes:

1. Increase in non-operating income and decrease in net losses before tax were mainly due to an increase in the dividend income received during the current period and in the remuneration of directors and supervisors compared with the prior period.
2. Increase in other comprehensive income for the current period (net of tax), total comprehensive income for the current period, and total comprehensive income attributable to the owners of the parent company was mainly due to an increase in unrealized gains on financial assets at FVTOCI held at the end of the period.

### III. Cash Flow

#### (I) Review and analysis of the cash flow for the current year

Unit: NTD thousand

Opening balance of cash	Cash flow from operating activities throughout the year	Amount of annual cash inflow (outflow)	The amount of cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
117,697	(97,711)	4,321	24,307	None	None
1. Analysis of changes in the cash flows for the current year:					
(1) Operating activities: Net cash outflow of NT\$97,711,000 was mainly due to losses for the year.					
(2) Investing activities: Net cash outflow of NT\$19,856,000 was mainly due to the acquisition of investment property.					
(3) Financing activities: Net cash inflow of NT\$24,177,000 was mainly due to an increase in bank borrowings.					
2. Remedial measures for cash deficit and liquidity analysis: None					

#### (II) Analysis of the cash flow for the coming year

Unit: NTD thousand

Opening balance of cash	Cash flow from operating activities throughout the year	Amount of cash inflow (outflow) throughout the year	Cash deficit	Remedial measures for cash deficit	
				Investment plan	Financial plan
24,307	(89,991)	28,000	(37,684)	None	Financing

### IV. The Impact of Material Capital Expenditures on Financial Operations in the Last Year

None

### V. Investment Policy in the Last Year, the Main Reason For Its Profit or Loss, Improvement Plan, and Investment Plan for the Coming Year

As a paper manufacturing company originally, the Company has worked to transform itself and to diversify the business while developing its brand professionally in recent years. In November 2016, the Company invested in the establishment of Sunnyfield Shihlin Co., Ltd., a wholly-owned subsidiary, which mainly sells skin care products related to the Company's new business after the transformation, so as to establish a professional brand image. The current capital of the subsidiary Sunnyfield Shihlin Co., Ltd. is NT\$200 million. Sunnyfield Shihlin Co., Ltd. is still in the initial stage of brand promotion. It has begun to increase its reputation and brand visibility through advertisements on various media since 2017. In the middle of 2017, it began to sell facial mask products officially and gradually expanded to various major physical and online cosmetics distribution channels, with the aim of increasing the group's business profit. The Company will adhere to the concept of sustainable operation and expand its

business actively so as to create a great deal of business opportunities for the Company and to continue to create a better future for both employees and shareholders.

## **VI. Risk Analysis:**

(I) The impact of changes in interest rates and exchange rates, and inflation on the Company's profit or loss and future countermeasures

1. The impact of changes in interest rates on the Company's profit or loss and future countermeasures

The Company's interest rate risk comes from the risk of interest rate changes in short-term borrowings, with revolving credit during the contract period in accordance with the short-term borrowing contracts. In terms of interest rates, with the stability of the domestic economy, the Central Bank regulates market funds in the open market, the overnight interbank call-loan rates of the domestic financial industry are stable, and the rise of interest rates is limited; thus, such risk has no significant impact on the Company's operations. Looking ahead, as the global economy is still uncertain and the domestic economy recovers moderately, and inflation is moderate, domestic interest rates will not fluctuate significantly. The Company will continue to actively seek sources of funds at low interest rates, assess market funding conditions and bank interest rates regularly, and decide on financing methods prudently. Thus, it is estimated that interest rate fluctuations will not have significant impact on the Company.

2. The impact of changes in exchange rates on the Company's profit or loss and future countermeasures

As the Company does not hold any material foreign currency assets and liabilities, there is no significant risk of exchange rate changes.

3. The impact of inflation on the Company's profit or loss and future countermeasures

With the strong U.S. dollar and the plunge of oil prices recently, the rise of global prices continue to slow down, which has no significant impact on the Company's operations. In terms of future prices, with the slowdown of emerging economies, the strong U.S. dollar, and the oversupply of crude oil, the prices of global energy, raw materials and commodity have declined, which has alleviated the pressure on the rise of domestic prices. Thus, its impact on domestic prices is limited. The Company also pays attention to the fluctuation of inflation at any time, adjusts market prices at any time if necessary, and seeks ways to cut costs.

(II) Policy for engaging in high-risk, high-leverage investments, lending of funds to others, provision of endorsements/guarantee to others, and derivatives trading, main reasons for profit or loss, and future countermeasures

The Company's finances are mainly based on the principle of stableness. At the end of 2003, the Company transferred its assets to Sunshine Shihlin Development, mainly for business needs. As of the end of 2020, the Company provided endorsement/guarantee of NT\$800,000 thousand to Sunshine Shihlin Development, and the actual amount drawn was NT\$450,000 thousand. The loans taken out amount to NT\$200,000 thousand, the actual amount drawn is NT\$0. There is no plan so far to engage in derivative trading.

(III) Future R&D plans and estimated R&D expenses

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
Development and testing of new Baby Lion products	Planning of various baby and child peripheral products and relevant tests	344,000
Development and testing of new Forest Beauty products	Prototyping and testing of various skin care products, and testing of product physical property, chemical property, and functions	1,000,000
Review and registration of exported products	Applying for cosmetics registration in China, E.U., and the U.S.	635,000

(IV) The impact of important domestic and foreign policies and legal changes on the Company's financial business and countermeasures: None.

(V) The impact of changes in technology and the industry on the Company's financial business and countermeasures

The Company is currently developing the business in the consumer market. As the utilization rate of wet wipes in the overall market is gradually increasing, it has developed such products by function. With the pure water wet wipes accounting for the largest market share, the Company will launch Lion Baby extreme pure water wet wipes first, and facial masks first in terms of the skin care products. The Company divides overall cosmetics market by function, and will plan various functional products according to different consumer groups, and develop natural products and the ones with patented formula to achieve diversification and market segmentation to improve performance.

(VI) The impact of corporate image change on corporate crisis management and countermeasures: None.

(VII) Expected benefits, potential risks, and countermeasures regarding mergers and acquisitions: None.

(VIII) Expected benefits, potential risks, and countermeasures regarding plant expansion: None.

(IX) Risks arising from supplier or customer concentration and countermeasures: None.

- (X) The impact and risks of massive transfer or replacement of shares by directors, supervisors, or major shareholders holding more than 10% of the shares, and countermeasures: None.
- (XI) The impact and risks of the change of management rights on the Company and countermeasures: None
- (XII) For litigation or non-litigation cases, where the Company and its directors, supervisors, President, substantive persons in charge, major shareholders holding more than 10% of shares, or affiliates have engaged in material litigation, non-litigation, or administrative disputes that are finalized or on trial and the results thereof may have a significant impact on shareholders' equity rights or securities prices, the facts in dispute, the amount in question, the starting date of the litigation, the main parties involved, and the handling situation as of the publication date of the annual report shall be disclosed

The tax payment recovered and administrative fines ordered by the National Taxation Bureau of Taipei, Ministry of Finance, were revoked as in the judgment of the Taipei High Administrative Court (that is, the review of the decision), and the appeal decision was confirmed. The refund for the temporary tax payments was received in February, 2021. The Company also filed an application to cancel the restricted registration of the land at Land No. 10-7 and 10-8 in the Xishan Section, Shilin District, Taipei City, in accordance with the laws.

- (XIII) Other significant risks and countermeasures.

To improve information security management and ensure the normal operation of information systems and data security, the Company has established a complete network and computer security protection system to control or maintain its manufacturing operations and accounting operations. The Company reviews and evaluates its cyber security regulations and procedures to ensure their appropriateness and effectiveness, while planning, designing, and upgrading software and hardware equipment resources as countermeasures based on each unit's critical business processes and the corresponding supporting information system services.

Furthermore, in response to the COVID-19 pandemic, the Company has planned arrangements of remote work and work-from-home in different groups and strengthened network security regulations on connections from external servers, so as not to affect the Company's normal operations and information security due to the pandemic.

In 2020, the Company and its subsidiaries did not have any information security incidents that had a significant adverse effect on the Company.

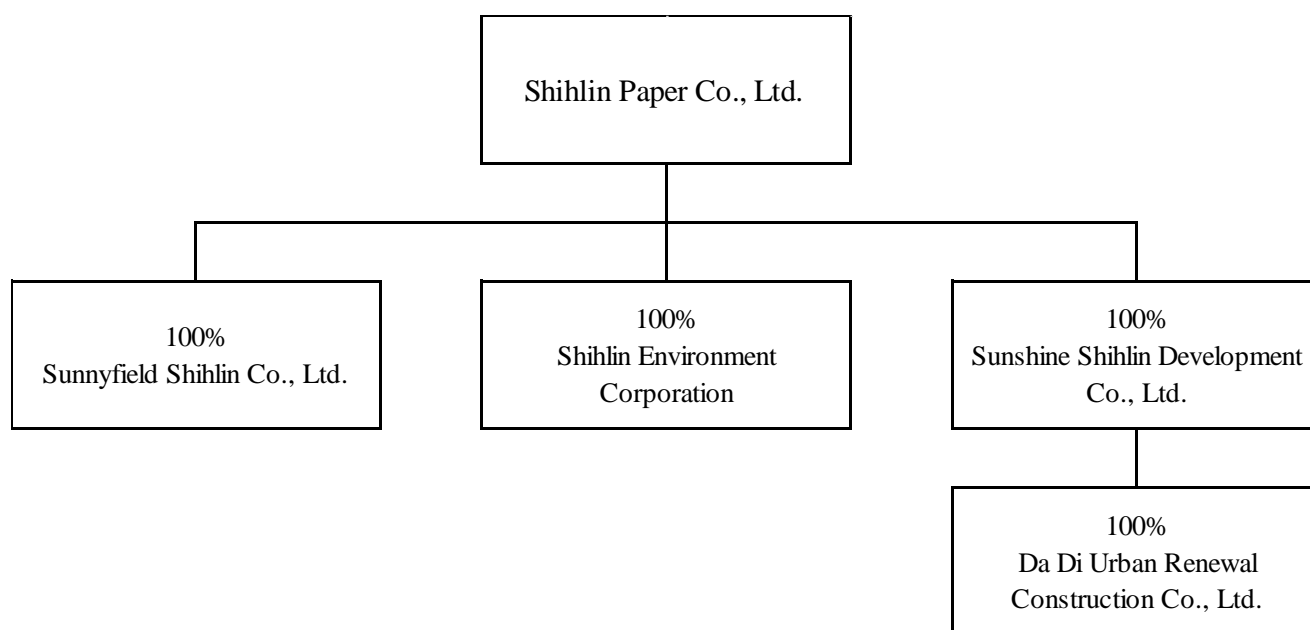
## **VII. Other Important Matters: None**

## Special Disclosure.

### I. Relevant Information on Affiliates

#### (I) Affiliation Report

##### 1. Overview of Affiliates: Organizational Chart of Affiliates



##### 2. Basic information on each affiliate

Unit: NTD thousand

Company Name	Date of Incorporation	Address	Paid-in capital	Main business or products
Shihlin Environment Corporation	1988.11.22	3F, No.138, Dadong Road, Shilin District, Taipei City	15,000,000	Investment and development
Sunshine Shihlin Development Co., Ltd.	2002.01.10	No. 31, Fude Road, Shilin District, Taipei City	2,001,000,000	Investment and development
Da Di Urban Renewal Construction Co., Ltd.	2009.11.19	No. 31, Fude Road, Shilin District, Taipei City	1,000,000	Urban renewal and reconstruction
Sunnyfield Shihlin Co., Ltd.	2016.11.17	No. 31, Fude Road, Shilin District, Taipei City	200,000,000	Wholesale of daily necessities

##### 3. Information on the same shareholders of those who are in the control-subordinate relationship: None

4. The scope of industries of the affiliates.

Company Name	Main business or products
Shihlin Paper Co., Ltd.	1. Production, shipping, and sales of paper.
	2. Manufacturing of processed paper products.
	3. Important raw materials for paper, and production and sales .
	4. Development, operation, and sales of wet wipes.
	5. Investment in relevant businesses and the businesses under the Statute for the Encouragement of Investment.
	6. Commissioning of builders to build buildings, public housing projects, leasing, and sales.
Shihlin Environment Corporation	1. Specific area development.
	2. Investment in construction of public works.
	3. Development of new towns and communities.
	4. Urban renewal industry.
	5. Waste disposal industry, building cleaning services, and restaurants.
	6. Real estate trading and leasing industry.
Sunnyfield Shihlin Co., Ltd.	1. Wholesale of daily necessities.
	2. Wholesale of cosmetics.
Sunshine Shihlin Development Co., Ltd.	1. Specific area development.
	2. Investment in construction of public works.
	3. Development of new towns and communities.
	4. Office building rental industry.
	5. General hotel industry.
	6. Parking space operation.
Da Di Urban Renewal Construction Co., Ltd.	1. Residential building and building development, leasing, and sales.
	2. Specific area development.
	3. Investment in construction of public works.
	4. Development of new towns and communities.
	5. Urban renewal and reconstruction.
	6. Real estate trading and leasing industry.

5. Information on directors, supervisors, and presidents of affiliates:

Unit: NTD thousand; share: %

Company Name	Title	Name or Representative	Shares held	
			Shares	Shares Ratio
Shihlin Environment Corporation	Chairman	Hui-Jung Chen (Representative of Shihlin Paper Co., Ltd.)	1,500,000	100%
	Director	Chao-Heng Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Cheng-Hsiung Lin (Representative of Shihlin Paper Co., Ltd.)		
	Director	Mei-Ju Chen (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Cheng-Che Tsai (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Hui-Ying Chen (Representative of Shihlin Paper Co., Ltd.)		
Sunshine Shihlin Development Co., Ltd.	Chairman	Chih-Yuan Chen (Representative of Shihlin Paper Co., Ltd.)	200,100,000	100%
	Vice Chairman	Po-Ting Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Chih-Hsiang Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Cheng-Chih Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Hui-Ying Chen (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Hui-Jung Chen (Representative of Shihlin Paper Co., Ltd.)		
Sunnyfield Shihlin Co., Ltd.	Chairman	Mei-Ju Chen (Representative of Shihlin Paper Co., Ltd.)	20,000,000	100%
	Director	Yen-Che Chiang (Representative of Shihlin Paper Co., Ltd.)		
	Director	Li-Hua Li (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Chao-Ti Chen (Representative of Shihlin Paper Co., Ltd.)		
Da Di Urban Renewal Construction Co., Ltd.	Chairman	Hui-Jung Chen (Representative of Sunshine Shihlin Development Co., Ltd.)	100,000	100%
	Director	Cheng-Chih Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Chih-Hsiang Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Chien-Kun Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Mei-Ju Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Ni-Ru Lin (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Vacant (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Supervisor	Hsin-Pei Lin (Representative of Sunshine Shihlin Development Co., Ltd.)		

(II) Overview of operations of affiliates:

Unit: NTD thousand

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating income	Operating gains or losses	Profit or loss for the current period (after tax)	Earnings per share (NTD) (after tax)
Shihlin Environment Corporation	15,000	26,258	40	26,218	0	-70	-15	-0.01
Sunshine Shihlin Development Co., Ltd.	2,001,000	5,619,786	2,961,248	2,658,538	43,717	-68,478	-80,827	-0.40
Sunnyfield Shihlin Co., Ltd.	200,000	27,191	14,669	12,522	9,317	-42,432	-42,599	-2.13
Da Di Urban Renewal Construction Co., Ltd.	1,000	105	0	105	0	0	0	0.00

(III) Consolidated financial statements of affiliates:

**Representation Letter**

The entities required to be included in the consolidated financial statements of Shihlin Paper Co., Ltd. as of and for the year ended Dec. 31, 2020, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company Name: Shihlin Paper Co., Ltd.

Person in Charge: Tai Shih Trading Co., Ltd.

March 19, 2021

(IV) Affiliation Report: None

- II. Private Placement of Securities in the Last Year and As of the Publication Date of the Annual Report: None**
- III. The Company's Shares Held or Disposed of by the Subsidiaries in the Last Year and As of the Publication Date of the Annual Report: None**
- IV. Other Necessary Supplementary Disclosure: None**
- V. As of the Publication Date of the Annual Report, Any Matters that Have a Significant Impact on Shareholders' Equity or Securities Prices as Specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Shall Also Be Specified One by One: None**





Shihlin Paper Co., Ltd.

Person in Charge: Tai Shih Trading Co., Ltd.