

**SHAN-LOONG TRANSPORTATION CO., LTD. AND  
SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Report  
For the Years Ended December 31, 2021 and 2020**

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The independent auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

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## Representation Letter

The entities that are required to be included in the combined financial statements of Shan-Loong Transportation Co., Ltd. as of and for the year ended December 31, 2021 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 International Financial Reporting Standards No. 10, "Consolidated Financial Statements" endorsed by the Financial Supervisory Commission of the Republic of China. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Shan-Loong Transportation Co., Ltd. and subsidiaries do not prepare a separate set of combined financial statements.

Company name: Shan-Loong Transportation Co., Ltd.  
Chairman: Jen-Hong Cheng  
Date: March 7, 2022



安侯建業聯合會計師事務所  
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## Independent Auditors' Report

To the Board of Directors of Shan-Loong Transportation Co., Ltd.:

### Opinion

We have audited the consolidated financial statements of Shan-Loong Transportation Co., Ltd. and its subsidiaries ("the Group"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended and 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), Interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC") endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Certification 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 section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. The key audit matters we judged shall be presented in the financial report as follows:

#### 1. Revenue recognition

Please refer to note (4)(n) of the consolidated financial statements for the accounting policy of revenue recognition. Information regarding the revenue are shown in note (6)(q) of the consolidated financial statements.

#### Description of key audit matter:

The main activities of the Group include freight transportation, container trucking, truck repair and maintenance, gas station, and import and export agent. Revenue recognition is one of the significant matters of the consolidated financial statements. The amounts and changes of sales revenue may affect the users' understanding of the entire financial statements. Therefore, the revenue recognition test is one of the significant assessment items in our audit procedures.

#### Audit Procedures:

Our main audit procedures for the aforementioned key audit matters include testing the Group's controls surrounding revenue recognition in the sale and receipt cycle, including reconciliations between the general ledger and sales system; performing the detailed test of relevant vouchers, as well as assessing whether the Group's timing on revenue recognition and the amounts recognized are in accordance with the related standards.

#### **Other Matter**

Shan-Loong Transportation Co., Ltd. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2021 and 2020, on which we have issued an unmodified opinion.

#### **Responsibilities of 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the IFRSs, IASs, IFRIC, 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 its operations, or has no realistic alternative but to do so.

Those charged with governance (including the Audit Committee) 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 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 for 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 relevant 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 related disclosures made by management.
4. Conclude on the appropriateness of 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 and 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 of the current period 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 Jui-Lan Lo and Yiu-Kwan Au.

KPMG

Taipei, Taiwan (Republic of China)  
March 7, 2022

#### **Notes to Readers**

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance, and cash flows in accordance with the 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 accepted and applied in the Republic of China.

The independent auditors' audit report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' audit report and consolidated financial statements, the Chinese version shall prevail.





(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES

**Consolidated Statement of Comprehensive Income**

**For the years ended December 31, 2021 and 2020**

(expressed in thousands of New Taiwan Dollars, except for earnings per share)

|   | 2021              |           | 2020              |           |
|---|-------------------|-----------|-------------------|-----------|
|   | Amount            | %         | Amount            | %         |
| 4000 <b>Operating revenue</b> (notes (6)(q) and (7))  | \$ 18,812,163     | 100       | 15,955,500        | 100       |
| 5000 <b>Operating costs</b> (notes (6)(f), (7) and (12))  | <u>17,026,406</u> | <u>91</u> | <u>14,211,824</u> | <u>89</u> |
| 5900 <b>Gross profit from operations</b>  | <u>1,785,757</u>  | <u>9</u>  | <u>1,743,676</u>  | <u>11</u> |
| <b>Operating expenses</b> (notes (7) and (12)):   |                   |           |                   |           |
| 6100 Selling expenses   | 535,529           | 3         | 540,683           | 3         |
| 6200 Administrative expenses  | 874,617           | 4         | 815,859           | 5         |
| 6450 Expected credit losses (gains) (notes (6)(d) and (6)(s))   | <u>-</u>          | <u>-</u>  | <u>(15)</u>       | <u>-</u>  |
|   | <u>1,410,146</u>  | <u>7</u>  | <u>1,356,527</u>  | <u>8</u>  |
| 6900 <b>Net operating income</b>  | <u>375,611</u>    | <u>2</u>  | <u>387,149</u>    | <u>3</u>  |
| <b>Non-operating income and expenses:</b>   |                   |           |                   |           |
| 7010 Other income (note (7))  | 66,468            | -         | 59,642            | -         |
| 7020 Other gains and losses, net (notes (6)(l) and (6)(s))  | 4,993             | -         | (3,145)           | -         |
| 7050 Finance costs (notes (6)(l) and (7))   | (30,987)          | -         | (32,587)          | -         |
| 7060 Shares of profit (loss) of associates and joint ventures accounted for using equity method, net (note (6)(g))  | 2,601             | -         | -                 | -         |
| 7100 Interest income  | 4,829             | -         | 4,519             | -         |
| 7130 Dividend income  | 105,030           | 1         | 70,560            | -         |
| 7210 Gains (losses) on disposals of property, plant and equipment (note (7))  | 343               | -         | (7,376)           | -         |
| 7590 Miscellaneous disbursements  | <u>(14,821)</u>   | <u>-</u>  | <u>(15,621)</u>   | <u>-</u>  |
|   | <u>138,456</u>    | <u>1</u>  | <u>75,992</u>     | <u>-</u>  |
| 7900 <b>Profit before tax</b>   | 514,067           | 3         | 463,141           | 3         |
| 7950 <b>Less: Income tax expenses</b> (note (6)(n))   | <u>89,507</u>     | <u>1</u>  | <u>83,252</u>     | <u>1</u>  |
| 8200 <b>Profit</b>  | <u>424,560</u>    | <u>2</u>  | <u>379,889</u>    | <u>2</u>  |
| 8300 <b>Other comprehensive income:</b>   |                   |           |                   |           |
| 8310 <b>Items that may not be reclassified subsequently to profit or loss:</b>  |                   |           |                   |           |
| 8311 Gains (losses) on remeasurements of defined benefit plans  | (5,890)           | -         | (13,406)          | -         |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(s))   | 64,685            | -         | 1,021,041         | 6         |
| 8320 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss | (10,329)          | -         | -                 | -         |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(n))   | <u>(3,699)</u>    | <u>-</u>  | <u>70,912</u>     | <u>-</u>  |
|   | <u>52,165</u>     | <u>-</u>  | <u>936,723</u>    | <u>6</u>  |
| 8360 <b>Items that may be reclassified subsequently to profit or loss:</b>  |                   |           |                   |           |
| 8361 Exchange differences on translation of foreign financial statements  | 3,679             | -         | 2,684             | -         |
| 8399 Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note (6)(n))  | <u>323</u>        | <u>-</u>  | <u>388</u>        | <u>-</u>  |
|   | <u>3,356</u>      | <u>-</u>  | <u>2,296</u>      | <u>-</u>  |
| 8300 <b>Other comprehensive income (loss)</b>   | <u>55,521</u>     | <u>-</u>  | <u>939,019</u>    | <u>6</u>  |
| 8500 <b>Total comprehensive income</b>  | <u>\$ 480,081</u> | <u>2</u>  | <u>1,318,908</u>  | <u>8</u>  |
| <b>Profit, attributable to:</b>   |                   |           |                   |           |
| 8610 Owners of parent   | \$ 415,507        | 2         | 371,334           | 2         |
| 8620 Non-controlling interests  | <u>9,053</u>      | <u>-</u>  | <u>8,555</u>      | <u>-</u>  |
|   | <u>\$ 424,560</u> | <u>2</u>  | <u>379,889</u>    | <u>2</u>  |
| <b>Total comprehensive income attributable to:</b>  |                   |           |                   |           |
| 8710 Owners of parent   | \$ 468,964        | 2         | 1,309,609         | 8         |
| 8720 Non-controlling interests  | <u>11,117</u>     | <u>-</u>  | <u>9,299</u>      | <u>-</u>  |
|   | <u>\$ 480,081</u> | <u>2</u>  | <u>1,318,908</u>  | <u>8</u>  |
| <b>Earnings per share</b> (note (6)(p))   |                   |           |                   |           |
| 9750 <b>Basic earnings per share</b>  | <u>\$ 3.06</u>    |           | <u>2.73</u>       |           |
| 9850 <b>Diluted earnings per share</b>  | <u>\$ 3.04</u>    |           | <u>2.72</u>       |           |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity  
For the years ended December 31, 2021 and 2020  
(expressed in thousands of New Taiwan Dollars)

|   | Equity attributable to owners of parent |                 |                |                         |   |   |                    |                  |                 |   |                           |                  |
|---|---|-----------------|----------------|-------------------------|---|---|--------------------|------------------|-----------------|---|---------------------------|------------------|
|   | Ordinary shares                         | Capital surplus | Legal reserve  | Retained earnings       |   | Exchange differences on translation of foreign financial statements | Other equity       |                  | Treasury shares | Total equity attributable to owners of parent | Non-controlling interests | Total equity     |
| Unappropriated retained earnings  |   |                 |                | Total retained earnings | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income |   | Total other equity |                  |                 |   |                           |                  |
| <b>Balance on January 1, 2020</b>   | \$ 1,372,818                            | 577,945         | 415,917        | 1,260,723               | 1,676,640   | (24,781)  | 450,491            | 425,710          | (31,863)        | 4,021,250                                     | 180,257                   | 4,201,507        |
| Appropriation and distribution of retained earnings:  |   |                 |                |                         |   |   |                    |                  |                 |   |                           |                  |
| Legal reserve appropriated  | -                                       | -               | 29,096         | (29,096)                | -   | -   | -                  | -                | -               | -   | -                         | -                |
| Cash dividends on ordinary share  | -                                       | -               | -              | (247,107)               | (247,107)   | -   | -                  | -                | -               | (247,107)                                     | -                         | (247,107)        |
| Profit (loss) for the year ended December 31, 2020  | -                                       | -               | 29,096         | (276,203)               | (247,107)   | -   | -                  | -                | -               | (247,107)                                     | -                         | (247,107)        |
| Other comprehensive income (loss) for the year ended December 31, 2020                                    | -                                       | -               | -              | 371,334                 | 371,334   | -   | -                  | -                | -               | 371,334                                       | 8,555                     | 379,889          |
| Total comprehensive income (loss) for the year ended December 31, 2020                                    | -                                       | -               | -              | (10,725)                | (10,725)  | 1,552   | 947,448            | 949,000          | -               | 938,275                                       | 744                       | 939,019          |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                      | -                                       | 2,436           | -              | -                       | -   | -   | -                  | -                | -               | 2,436   | -                         | 2,436            |
| <b>Balance on December 31, 2020</b>   | <u>1,372,818</u>                        | <u>580,381</u>  | <u>445,013</u> | <u>1,345,129</u>        | <u>1,790,142</u>  | <u>(23,229)</u>   | <u>1,397,939</u>   | <u>1,374,710</u> | <u>(31,863)</u> | <u>5,086,188</u>                              | <u>189,556</u>            | <u>5,275,744</u> |
| Appropriation and distribution of retained earnings:  |   |                 |                |                         |   |   |                    |                  |                 |   |                           |                  |
| Legal reserve appropriated  | -                                       | -               | 36,061         | (36,061)                | -   | -   | -                  | -                | -               | -   | -                         | -                |
| Cash dividends on ordinary share  | -                                       | -               | -              | (302,020)               | (302,020)   | -   | -                  | -                | -               | (302,020)                                     | -                         | (302,020)        |
| Profit (loss) for the year ended December 31, 2021  | -                                       | -               | 36,061         | (338,081)               | (302,020)   | -   | -                  | -                | -               | (302,020)                                     | -                         | (302,020)        |
| Other comprehensive income (loss) for the year ended December 31, 2021                                    | -                                       | -               | -              | 415,507                 | 415,507   | -   | -                  | -                | -               | 415,507                                       | 9,053                     | 424,560          |
| Total comprehensive income (loss) for the year ended December 31, 2021                                    | -                                       | -               | -              | (4,712)                 | (4,712)   | 1,292   | 56,877             | 58,169           | -               | 53,457  | 2,064                     | 55,521           |
| Adjustments of capital surplus for company's cash dividends received by subsidiaries                      | -                                       | -               | -              | 410,795                 | 410,795   | 1,292   | 56,877             | 58,169           | -               | 468,964                                       | 11,117                    | 480,081          |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | 2,978           | -              | -                       | -   | -   | -                  | -                | -               | 2,978   | -                         | 2,978            |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | -                                       | -               | -              | 45,232                  | 45,232  | -   | (45,232)           | (45,232)         | -               | -   | -                         | -                |
| <b>Balance on December 31, 2021</b>   | <u>\$ 1,372,818</u>                     | <u>583,359</u>  | <u>481,074</u> | <u>1,463,075</u>        | <u>1,944,149</u>  | <u>(21,937)</u>   | <u>1,409,584</u>   | <u>1,387,647</u> | <u>(31,863)</u> | <u>5,256,110</u>                              | <u>200,673</u>            | <u>5,456,783</u> |

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2021 and 2020

(expressed in thousands of New Taiwan Dollars)

|  | 2021         | 2020      |
|--|--------------|-----------|
| <b>Cash flows from (used in) operating activities:</b>   |              |           |
| Profit before tax  | \$ 514,067   | 463,141   |
| <b>Adjustments:</b>  |              |           |
| Adjustments to reconcile profit (loss):  |              |           |
| Depreciation expense   | 491,023      | 492,953   |
| Expected credit losses (gains)   | -            | (15)      |
| Net profit on financial assets or liabilities at fair value through profit or loss                   | (6,487)      | (6,090)   |
| Interest expense   | 30,987       | 32,587    |
| Interest income  | (4,829)      | (4,519)   |
| Dividend income  | (105,030)    | (70,560)  |
| Share of loss of associates and joint ventures accounted for using equity method                     | (2,601)      | -         |
| Loss (gain) on disposal of property, plant and equipment and others                                  | (6,330)      | 7,367     |
|  | 396,733      | 451,723   |
| <b>Changes in operating assets and liabilities:</b>  |              |           |
| Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss    | 355,541      | 327,652   |
| Decrease (increase) in notes and accounts receivable   | (115,099)    | 66,808    |
| Decrease (increase) in inventories   | (29,672)     | (1,373)   |
| Decrease (increase) in other current financial assets  | (10,675)     | (14,451)  |
| Decrease (increase) in other current assets  | (11,063)     | 46,442    |
| Increase (decrease) in notes and accounts payable  | 221,628      | (177,048) |
| Increase (decrease) in provisions  | (7,129)      | 12,897    |
| Increase (decrease) in other payables and other current liabilities                                  | 30,455       | 77,711    |
| Increase (decrease) in net defined benefit liabilities   | (1,360)      | (19,659)  |
| Increase (decrease) in contract liabilities  | 8,238        | 455       |
|  | 440,864      | 319,434   |
| <b>Total adjustments</b>   | 837,597      | 771,157   |
| Cash inflow (outflow) generated from (used in) operations  | 1,351,664    | 1,234,298 |
| Dividends received   | 105,633      | 70,560    |
| Interest paid  | (30,987)     | (32,587)  |
| Interest received  | 4,829        | 4,519     |
| Income taxes paid  | (105,361)    | (22,026)  |
| <b>Net cash flows from (used in) operating activities</b>  | 1,325,778    | 1,254,764 |
| <b>Cash flows from (used in) investing activities:</b>   |              |           |
| Acquisition of financial assets at fair value through other comprehensive income                     | (7,939)      | -         |
| Proceeds from capital reduction of financial assets at fair value through other comprehensive income | -            | 66,880    |
| Acquisition of property, plant and equipment   | (232,627)    | (514,409) |
| Proceeds from disposal of property, plant and equipment  | 86,125       | 12,264    |
| Decrease (increase) in refundable deposits   | (15,003)     | (1,861)   |
| <b>Net cash flows from (used in) investing activities</b>  | (169,444)    | (437,126) |
| <b>Cash flows from (used in) financing activities:</b>   |              |           |
| Increase (decrease) in short-term borrowings   | 40,000       | (10,000)  |
| Proceeds from long-term borrowings   | 200,000      | 949,000   |
| Repayments of long-term borrowings   | (100,000)    | (989,300) |
| Increase (decrease) in guarantee deposit received  | 925          | (999)     |
| Payment of lease liabilities   | (234,156)    | (229,063) |
| Cash dividends paid  | (299,042)    | (244,671) |
| <b>Net cash flows from (used in) financing activities</b>  | (392,273)    | (525,033) |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>                                  | 2,817        | 3,344     |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | 766,878      | 295,949   |
| <b>Cash and cash equivalents at beginning of period</b>  | 786,408      | 490,459   |
| <b>Cash and cash equivalents at end of period</b>  | \$ 1,553,286 | 786,408   |

See accompanying notes to consolidated financial statements.

**(English Translation of Consolidated Financial Statements Originally Issued in Chinese)**  
**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**For the years ended December 31, 2021 and 2020**

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

**(1) Company history**

Shan-loong Transportation Co., Ltd. (the “Company”) was incorporated in April 6, 1976 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company’s registered office is 1F, No. 1-2, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”). The major business activities of the Group are freight transportation, container trucking, truck repair and maintenance, gas station, and import and export agent, etc. Furthermore, one of the Group entities engages in the investing activities. Please refer to note 4(c)(ii) for related information.

**(2) Approval date and procedures of the consolidated financial statements**

These consolidated financial statements were authorized for issue by the Board of Directors on March 7, 2022.

**(3) New standards, amendments and interpretations adopted:**

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. which have already been adopted.

The Group has initially adopted the following new amendments, which do not have a significant impact on its consolidated financial statements, from January 1, 2021:

- Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”
- Amendments to IFRS 9, IAS39, IFRS7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform—Phase 2”
- Amendments to IFRS 16 “Covid-19-Related Rent Concessions beyond June 30, 2021”

- (b) The impact of IFRS issued by the FSC but not yet effective

The Group assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2022, would not have a significant impact on its consolidated financial statements:

- Amendments to IAS 16 “Property, Plant and Equipment—Proceeds before Intended Use”
- Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 3 “Reference to the Conceptual Framework”

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

The Group does not expect the following new and amended standards, which have yet to be endorsed by the FSC, to have a significant impact on its consolidated financial statements:

- 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” and amendments to IFRS 17 “Insurance Contracts”
- Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”
- Amendments to IAS 1 “Disclosure of Accounting Policies”
- Amendments to IAS 8 “Definition of Accounting Estimates”
- Amendments to IAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

**(4) Summary of significant accounting policies:**

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

- (a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations” ) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C. (hereinafter referred to as “IFRS endorsed by the FSC”).

- (b) Basis of preparation

- (i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

- 1) Financial instruments at fair value through profit or loss are measured at fair value;
- 2) Financial assets at fair value through other comprehensive income are measured at fair value; and
- 3) The defined benefit liabilities (assets) are measured at fair value of the plan assets less the present value of the defined benefit obligation, limited as explained in note (4)(p).

- (ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and subsidiaries. Subsidiaries are entities controlled by the Group. The Group ‘controls’ an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Intragroup balances and transactions, and any unrealized income and expenses arising from Intragroup transactions are eliminated in preparing the consolidated financial statements. The Group attributes the profit or loss and each component of other comprehensive income to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group prepares consolidated financial statements using uniform accounting policies for like transactions and other events in similar circumstances.

Changes in the Group’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received will be recognized directly in equity, and the Group will attribute it to the owners of the parent.

(ii) List of subsidiaries in the consolidated financial statements:

| Name of investor         | Name of subsidiary  | Principal activity                                    | Shareholding      |                   | Note  |
|--------------------------|---|---|-------------------|-------------------|-------|
|                          |   |   | December 31, 2021 | December 31, 2020 |       |
| The Company              | Shan Loong Investment Co., Ltd. (Shan-Loong Investment)                         | Investing activities                                  | 100 %             | 100 %             |       |
| The Company              | Shan Loong International & Customs Broker Co., Ltd. (Shan Loong Customs Broker) | Import and export agent services                      | 100 %             | 100 %             |       |
| The Company              | Shan Loong Motors Co., Ltd. (Shan Loong Motors)                                 | Truck repair, maintenance and sales                   | 100 %             | 100 %             | Note1 |
| The Company              | Shan-Loong International holdings Co., Ltd. (Shan-Loong International)          | Investing activities                                  | 100 %             | 100 %             |       |
| Shan-Loong International | Long Yun Investment Holding Co, Ltd. (Long Yun)                                 | Investing activities                                  | 100 %             | 100 %             |       |
| "                        | Loong De Investment Co., Ltd. (Loong De)  | Investing activities                                  | 100 %             | 100 %             |       |
| Long Yun                 | Shanghai Shan Tong Logistic Co., Ltd. (Shanghai Shan Tong)                      | Truck freight transportation and warehousing          | 60 %              | 60 %              |       |
| Loong De                 | Shan-Loong Logistics Co., Ltd.  | Warehousing, freight transportation and related agent | 51 %              | 51 %              |       |

Note 1: The subsidiary was incorporated in September 2020.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. At the end of each subsequent reporting period, monetary items denominated in foreign currencies are translated into the functional currencies using the exchange rate at that date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated into the functional currencies using the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of translation. Exchange differences are recognized in profit or loss except for an investment in equity securities designated as at fair value through other comprehensive income, which are recognized in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into the presentation currency at the average exchange rate. Exchange differences are recognized in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence, or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences arising from such a monetary item that are considered to form part of the net investment in the foreign operation are recognized in other comprehensive income.

(e) Classification of current and non-current assets and liabilities

An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

- (i) It is expected to be realized, or intended to be sold or consumed, in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is expected to be realized within twelve months after the reporting period; or

(Continued)



**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (iv) The asset is cash or a cash equivalent (as defined in IAS 7) unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

- (i) It is expected to be settled in the normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by issuing equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(g) Financial instruments

Accounts receivable and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A accounts receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(Continued)



**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

Dividend income is recognized in profit or loss on the date on which the Group's right to receive payment is established.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

4) Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, and are consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

5) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, guarantee deposit paid and other financial assets), and contract assets.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following which are measured as 12-month ECL:

- bank balances and other receivables for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable and contract assets are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 90 days past due or the debtor is unlikely to pay its credit obligations to the Group in full.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade which is considered to be BBB- or higher per Standard & Poor’s, Baa3 or higher per Moody’s or twA or higher per Taiwan Ratings’. The counterparties of the time deposits held by the Group are the financial institutions with investment grade credit ratings. Therefore, the credit risk is considered to be low.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being overdue;
- the lender of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is probable that the borrower will enter bankruptcy or other financial reorganization;  
or
- the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognized in its statement of balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt and equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

2) Equity instrument

An equity instrument is any contract that evidences residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued are recognized as the amount of consideration received, less the direct cost of issuing.

3) Treasury shares

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is recognized in capital surplus or retained earnings (if the capital surplus is not sufficient to be written down).

4) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to ordinary shares at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The liability component of compound financial instruments is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion at maturity, the financial liability is reclassified to equity and no gain or loss is recognized.

5) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

6) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

7) Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statement of balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

(h) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated using the weighted average method, and includes other costs incurred in bringing them to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost, whose investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition, less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments, in order to be consistent with the Group's accounting policies, from the date on which significant influence commences until the date on which significant influence ceases.

Gains and losses resulting from transactions between the Group and its associate are recognized only to the unrelated Group's interests in the associate. When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iii) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land is not depreciated.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- 1) Buildings: 31~56 years
- 2) Building improvements: 1~27 years
- 3) Gasoline equipment: 1~21 years
- 4) Transportation equipment: 5~19 years
- 5) Miscellaneous equipment: 1~21 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- 1) fixed payments, including in-substance fixed payments;
- 2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

(Continued)



**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- 1) there is a change in future lease payments arising from the change in an index or rate; or
- 2) there is a change of its assessment on whether it will exercise an extension or termination option; or
- 3) there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents right-of-use assets that do not meet the definition of investment and lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a practical expedient, the Group elects not to assess whether all rent concessions that meets all the following conditions are lease modifications or not:

- 1) the rent concessions occurring as a direct consequence of the covid-19 pandemic;
- 2) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- 3) any reduction in lease payments that affects only those payments originally due on, or before, June 30, 2021; and
- 4) there is no substantive change into other terms and conditions of the lease.

In accordance with the practical expedient, the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) As a lessor

When the Group acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

(l) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(m) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

In accordance with the Company's applicable legal requirements, a provision for site restoration in respect of contaminated land and the related expense are recognized when the land is contaminated.

(n) Revenue recognition

(i) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group sells gas to clients and consumers. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Truck repair, freight transportation and customs broker services

The Group provides truck repair, freight transportation and customs broker services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(o) Government grants

The government grants are recognized as a deduction of the cost of assets if there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant; they are then recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

(iv) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(q) Income taxes

Income taxes comprise current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes are recognized in profit or loss.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatment, do not meet the definition of income taxes, and therefore accounted for them under IAS37.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes are recognized except for the following:

- (i) temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profits (losses) at the time of the transaction;
- (ii) temporary differences related to investments in subsidiaries and joint arrangements and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Deferred tax assets and liabilities are offset if the following criteria are met:

- (i) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - 1) the same taxable entity; or
  - 2) different taxable entities which intend to settle current tax assets and liabilities on a net basis, or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(r) Earnings per share

The Group discloses the Company's basic and diluted earnings per share attributable to ordinary shareholders of the Company. Basic earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding. Diluted earnings per share is calculated as the profit attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares outstanding after adjustment for the effects of all potentially dilutive ordinary shares, such as employee compensation and convertible bonds.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

**(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:**

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the following period.

There are no critical judgments in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements.

Furthermore, there are no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Explanation of significant accounts:**

(a) Cash and cash equivalents

|                                       | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---------------------------------------|------------------------------|------------------------------|
| Cash on hand                          | \$ 13,287                    | 19,268                       |
| Checking accounts and demand deposits | 1,384,489                    | 634,877                      |
| Time deposits                         | <u>155,510</u>               | <u>132,263</u>               |
|                                       | <b><u>\$ 1,553,286</u></b>   | <b><u>786,408</u></b>        |

Please refer to note (6)(s) for the exchange rate risk, interest rate risk, and sensitivity analysis of the financial assets of the Group.

(b) Financial assets at fair value through profit or loss

|  | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--|------------------------------|------------------------------|
| Mandatorily measured at fair value through profit or loss: |                              |                              |
| Non-derivative financial assets                            |                              |                              |
| Structured deposits  | <u>\$ -</u>                  | <u>349,054</u>               |

- (i) Financial products (structured deposits) held by the Group, which were recognized as financial assets mandatorily measured at fair value through profit or loss, because the financial assets are held within a business model whose objective is not achieved by collecting contractual cash flows.

As of December 31, 2020, the Group held the financial products issued by the Agricultural Bank of China Limited.

- (ii) For market risk of the Group, please refer to note (6)(s).  
 (iii) The Group had not been pledged any financial assets as collateral for its borrowings.

(c) Financial assets at fair value through other comprehensive income

|  | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--|------------------------------|------------------------------|
| Equity investments at fair value through other comprehensive income: |                              |                              |
| Stocks listed on domestic markets                                    | \$ 2,059,749                 | 1,983,893                    |
| Stocks unlisted on domestic markets                                  | 181,579                      | 211,322                      |
| Stocks unlisted on foreign markets                                   | <u>204,805</u>               | <u>255,068</u>               |
|  | <b><u>\$ 2,446,133</u></b>   | <b><u>2,450,283</u></b>      |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Group intends to hold for long-term strategic purposes.
- (ii) Base on the resolution of the stockholders' meeting held on April 20, 2020, Chung Loong Paper Holdings Limited, which the Group holds as equity investments at fair value through other comprehensive income, decided to reduce 40% capital by cash. In April, 2020, the Group received all the refund capital amounting to \$66,880 (US\$2,232 thousand) in proportion to the percentage of ownership in the investment. The Group assessed the transaction mentioned above was the return of the original investment cost and decreased the carrying amount of the investment.
- (iii) In April, 2021, the Group acquired some part of shares of Ko Loong Industry Co., Ltd. (Ko Loong), and the percentage of ownership increased to 19.75%. The Group assessed that it had significant influence over Ko Loong. Therefore, the Group derecognized the assets, which were accounted for under the financial assets measured at fair value through other comprehensive income, at the fair value amounted to \$76,774. The gain on disposal of the investments amounting to \$45,232 was transferred to retained earnings from other equity. There were no disposals of strategic investments and transfers of any cumulative gain or loss within equity relating to these investments as of for the year ended December 31, 2020.
- (iv) For market risk of the Group, please refer to note (6)(s).
- (v) The Group had not been pledged any financial assets as collateral for its borrowings.
- (d) Notes and accounts receivable (including related parties)

|   | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|------------------------------|------------------------------|
| Notes receivable  | \$ 47,348                    | 32,545                       |
| Accounts receivable   | 922,417                      | 822,121                      |
|   | 969,765                      | 854,666                      |
| Less: allowance for impairment                              | (3,069)                      | (3,069)                      |
|   | <b>\$ 966,696</b>            | <b>851,597</b>               |
| Notes and accounts receivable, net                          | <b>\$ 649,969</b>            | <b>546,632</b>               |
| Notes and accounts receivable due from related parties, net | <b>\$ 316,727</b>            | <b>304,965</b>               |

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables. To measure the expected credit losses, notes and accounts receivables have been grouped based on shared credit risk characteristics and the days past due, as well as the incorporated forward-looking information, including the reasonable prediction of historical credit loss experience and the future economic situation. As of December 31, 2021 and 2020, the loss allowance provisions were determined as follows:

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                     | December 31, 2021     |                     |                            |                     |                          |
|---------------------|-----------------------|---------------------|----------------------------|---------------------|--------------------------|
|                     | Gross carrying amount |                     | Weighted-average loss rate |                     | Loss allowance provision |
|                     | Notes receivable      | Accounts receivable | Notes receivable           | Accounts receivable |                          |
| Aging under 60 days | \$ 37,957             | 902,916             | -                          | -                   | -                        |
| Aging 61~90 days    | 6,804                 | 3,296               | 1%                         | 1%                  | 76                       |
| Aging 91~120 days   | 2,587                 | 3,733               | 5%                         | 60%                 | 124                      |
| Aging 121~150 days  | -                     | 27                  | 10%                        | 60%                 | -                        |
| Aging 151~180 days  | -                     | 23                  | 10%                        | 80%                 | -                        |
| Aging 181~365 days  | -                     | 2,381               | 10%                        | 90%                 | 2,145                    |
| Aging over 365 days | -                     | 10,041              | 100%                       | 100%                | 664                      |
|                     | <u>\$ 47,348</u>      | <u>922,417</u>      |                            |                     | <u>3,009</u>             |

  

|                     | December 31, 2020     |                     |                            |                     |                          |
|---------------------|-----------------------|---------------------|----------------------------|---------------------|--------------------------|
|                     | Gross carrying amount |                     | Weighted-average loss rate |                     | Loss allowance provision |
|                     | Notes receivable      | Accounts receivable | Notes receivable           | Accounts receivable |                          |
| Aging under 60 days | \$ 21,943             | 807,673             | -%                         | -%                  | -                        |
| Aging 61~90 days    | 8,043                 | 253                 | 1%                         | 1%                  | 79                       |
| Aging 91~120 days   | 1,984                 | 1                   | 5%                         | 60%                 | 99                       |
| Aging 121~150 days  | 575                   | -                   | 10%                        | 60%                 | 57                       |
| Aging 151~180 days  | -                     | 1,851               | 10%                        | 80%                 | 1,481                    |
| Aging 181~365 days  | -                     | 10,690              | 10%                        | 90%                 | 513                      |
| Aging over 365 days | -                     | 1,653               | 100%                       | 100%                | 664                      |
|                     | <u>\$ 32,545</u>      | <u>822,121</u>      |                            |                     | <u>2,893</u>             |

The movements in the allowance for notes and accounts receivable were as follows:

|                            | 2021            | 2020         |
|----------------------------|-----------------|--------------|
| Balance on January 1       | \$ 3,069        | 3,310        |
| Amounts written off        | -               | (226)        |
| Impairment losses reversed | -               | (15)         |
| Balance on December 31     | <u>\$ 3,069</u> | <u>3,069</u> |

As of December 31, 2021 and 2020, the Group did not pledge any notes and accounts receivable as collateral for its borrowings.

(e) Other current financial assets

|                             | December 31, 2021 | December 31, 2020 |
|-----------------------------|-------------------|-------------------|
| Other receivables           | \$ 89,478         | 78,803            |
| Less: loss allowance        | (13,100)          | (13,100)          |
|                             | 76,378            | 65,703            |
| Refundable deposits-current | 2,415             | -                 |
|                             | <u>\$ 78,793</u>  | <u>65,703</u>     |

For further credit risk information, please refers to note (6)(s).

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (f) Inventories

|                       | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|-----------------------|------------------------------|------------------------------|
| Premium Diesel        | \$ 64,801                    | 52,877                       |
| Unleaded Gasoline #92 | 48,328                       | 44,618                       |
| Unleaded Gasoline #95 | 67,696                       | 58,360                       |
| Unleaded Gasoline #98 | 28,427                       | 28,151                       |
| By-product and other  | 14,025                       | 9,599                        |
|                       | <u>\$ 223,277</u>            | <u>193,605</u>               |

The Group recognized as cost of sales amounted to \$12,258,636 and \$9,706,790, respectively, for the years ended December 31, 2021 and 2020.

The gain on physical inventory amounted to \$40,492 and \$32,082, respectively, which was recorded as cost of sales for the years ended December 31, 2021 and 2020.

As of December 31, 2021 and 2020, the Group did not pledge any inventories as collateral for its borrowings.

## (g) Investments accounted for using the equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

|            | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|------------|------------------------------|------------------------------|
| Associates | \$ <u>71,325</u>             | <u>-</u>                     |

(i) The Group originally held certain portion of the common shares of Ko Loong, which was accounted for under the financial assets at fair value through other comprehensive income. In April 2021, the Group acquired additional shares of Ko Loong, resulting in its percentage of ownership to increase to 19.75%. Hence, the Group assessed that it had significant influence over Ko Loong, which led the Group to remeasure the fair value of its assets of the acquisition date, and account it for using the equity method.

(ii) The Group's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

|                                   | <b>2021</b>       |
|-----------------------------------|-------------------|
| Attributable to the Group:        |                   |
| Profit (loss)                     | \$ 2,601          |
| Other comprehensive income (loss) | <u>(10,329)</u>   |
| Comprehensive income (loss)       | <u>\$ (7,728)</u> |

(iii) The Group did not provide any investment accounted for using the equity method as collateral for its loans.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Property, plant and equipment

The movements in the property, plant and equipment of the Group were as follows:

|  | <u>Land</u>         | <u>Buildings</u> | <u>Gasoline<br/>equipment</u> | <u>Transportatio<br/>n equipment</u> | <u>Miscellaneous<br/>equipment</u> | <u>Unfinished<br/>construction<br/>and<br/>equipment<br/>under<br/>installation</u> | <u>Total</u>     |
|--|---------------------|------------------|-------------------------------|--------------------------------------|------------------------------------|---|------------------|
| <b>Cost:</b>                             |                     |                  |                               |                                      |                                    |   |                  |
| Balance on January 1, 2021               | \$ 2,008,967        | 810,856          | 152,190                       | 2,047,790                            | 514,087                            | -   | 5,533,890        |
| Additions                                | -                   | 73,701           | 3,312                         | 59,125                               | 53,214                             | 13,296  | 202,648          |
| Disposals                                | -                   | (224)            | -                             | (88,988)                             | (118,889)                          | -   | (208,101)        |
| Reclassifications                        | (2,426)             | 18,983           | -                             | -                                    | -                                  | 615   | 17,172           |
| Effect of movements in<br>exchange rates | -                   | -                | -                             | 1,125                                | -                                  | -   | 1,125            |
| Balance on December 31,<br>2021          | <u>\$ 2,006,541</u> | <u>903,316</u>   | <u>155,502</u>                | <u>2,019,052</u>                     | <u>448,412</u>                     | <u>13,911</u>   | <u>5,546,734</u> |
| Balance on January 1, 2020               | \$ 1,853,346        | 732,247          | 135,032                       | 1,960,968                            | 457,743                            | -   | 5,139,336        |
| Additions                                | 155,621             | 103,008          | 17,298                        | 157,066                              | 67,946                             | -   | 500,939          |
| Disposals                                | -                   | (24,399)         | (140)                         | (68,932)                             | (11,602)                           | -   | (105,073)        |
| Reclassifications                        | -                   | -                | -                             | (631)                                | -                                  | -   | (631)            |
| Effect of movements in<br>exchange rates | -                   | -                | -                             | (681)                                | -                                  | -   | (681)            |
| Balance on December 31,<br>2020          | <u>\$ 2,008,967</u> | <u>810,856</u>   | <u>152,190</u>                | <u>2,047,790</u>                     | <u>514,087</u>                     | <u>-</u>  | <u>5,533,890</u> |
| <b>Depreciation:</b>                     |                     |                  |                               |                                      |                                    |   |                  |
| Balance on January 1, 2021               | \$ -                | 335,278          | 98,318                        | 1,070,002                            | 304,927                            | -   | 1,808,525        |
| Depreciation                             | -                   | 33,471           | 13,042                        | 157,711                              | 46,530                             | -   | 250,754          |
| Disposals                                | -                   | (48)             | -                             | (80,358)                             | (41,913)                           | -   | (122,319)        |
| Effect of movements in<br>exchange rates | -                   | -                | -                             | 262                                  | 1                                  | -   | 263              |
| Balance on December 31,<br>2021          | <u>\$ -</u>         | <u>368,701</u>   | <u>111,360</u>                | <u>1,147,617</u>                     | <u>309,545</u>                     | <u>-</u>  | <u>1,937,223</u> |
| Balance on January 1, 2020               | \$ -                | 323,810          | 83,802                        | 970,514                              | 262,391                            | -   | 1,640,517        |
| Depreciation                             | -                   | 28,747           | 14,656                        | 158,612                              | 51,447                             | -   | 253,462          |
| Disposals                                | -                   | (17,279)         | (140)                         | (59,103)                             | (8,911)                            | -   | (85,433)         |
| Effect of movements in<br>exchange rates | -                   | -                | -                             | (21)                                 | -                                  | -   | (21)             |
| Balance on December 31,<br>2020          | <u>\$ -</u>         | <u>335,278</u>   | <u>98,318</u>                 | <u>1,070,002</u>                     | <u>304,927</u>                     | <u>-</u>  | <u>1,808,525</u> |
| <b>Carrying amounts:</b>                 |                     |                  |                               |                                      |                                    |   |                  |
| Balance on December 31,<br>2021          | <u>\$ 2,006,541</u> | <u>534,615</u>   | <u>44,142</u>                 | <u>871,435</u>                       | <u>138,867</u>                     | <u>13,911</u>   | <u>3,609,511</u> |
| Balance on January 1, 2020               | <u>\$ 1,853,346</u> | <u>408,437</u>   | <u>51,230</u>                 | <u>990,454</u>                       | <u>195,352</u>                     | <u>-</u>  | <u>3,498,819</u> |
| Balance on December 31,<br>2020          | <u>\$ 2,008,967</u> | <u>475,578</u>   | <u>53,872</u>                 | <u>977,788</u>                       | <u>209,160</u>                     | <u>-</u>  | <u>3,725,365</u> |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- (i) The Group is restricted by the law and cannot acquire agricultural land in the name of the Group. As of December 31, 2020, some pieces of agricultural land located in Mailiao and Taoyuan amounting to \$939,227, which were accounted under property, plant and equipment, were registered in the name of the former chairman of the Company, Wen-Ming Cheng (the chairman at the time of the transaction), and other individuals. In the first quarter of 2021, some part of the abovementioned land had been completed the transfer procedures after the change of land category. As of December 31, 2021, some pieces of agricultural land located in Mailiao and Taoyuan amounting to \$228,581, which were accounted under property, plant and equipment, were registered in the name of the chairman of the Company, Jen-Hao Cheng, the former chairman of the Company, Wen-Ming Cheng (the chairman at the time of the transaction) and other individuals. The Group has the “Other rights certificate” of the land or has an agreement with both parties to verify that the Group is the actual owner of the land.
- (ii) In September 2020, the Group entered into a contract with a related party, Cheng Loong Corporation to purchase the land and building for office space located in Banqiao District, New Taipei City amounting to \$169,189 (excluding tax). The registration has been completed in December 2020. Please refer to note (7)(b)(iv)(1) for the details.
- (iii) As of December 31, 2021 and 2020, the portion of property, plant and equipment of the Group had been pledged as collateral for its credit lines of the bank. Please refer to note (8).
- (i) Right-of-use assets

The Group leases many assets including land and buildings. Information about leases for which the Group as a lessee is presented below:

|                              | <u>Land</u>       | <u>Buildings</u> | <u>Others</u> | <u>Total</u>     |
|------------------------------|-------------------|------------------|---------------|------------------|
| Cost or deemed cost:         |                   |                  |               |                  |
| Balance on January 1, 2021   | \$ 452,955        | 1,296,974        | 14,281        | 1,764,210        |
| Additions                    | 82,162            | 106,883          | 290           | 189,335          |
| Reductions                   | <u>(270,709)</u>  | <u>(10,820)</u>  | -             | <u>(281,529)</u> |
| Balance on December 31, 2021 | <u>\$ 264,408</u> | <u>1,393,037</u> | <u>14,571</u> | <u>1,672,016</u> |
| Balance on January 1, 2020   | \$ 406,780        | 1,075,601        | 14,281        | 1,496,662        |
| Additions                    | 46,175            | 224,276          | -             | 270,451          |
| Reductions                   | <u>-</u>          | <u>(2,903)</u>   | -             | <u>(2,903)</u>   |
| Balance on December 31, 2020 | <u>\$ 452,955</u> | <u>1,296,974</u> | <u>14,281</u> | <u>1,764,210</u> |
| Depreciation:                |                   |                  |               |                  |
| Balance on January 1, 2021   | \$ 101,509        | 342,194          | 3,885         | 447,588          |
| Depreciation                 | 52,662            | 184,934          | 2,673         | 240,269          |
| Reductions                   | <u>(84,928)</u>   | <u>(6,441)</u>   | -             | <u>(91,369)</u>  |
| Balance on December 31, 2021 | <u>\$ 69,243</u>  | <u>520,687</u>   | <u>6,558</u>  | <u>596,488</u>   |
| Balance on January 1, 2020   | \$ 44,571         | 164,449          | 1,231         | 210,251          |
| Depreciation                 | 56,938            | 179,899          | 2,654         | 239,491          |
| Reductions                   | <u>-</u>          | <u>(2,154)</u>   | -             | <u>(2,154)</u>   |
| Balance on December 31, 2020 | <u>\$ 101,509</u> | <u>342,194</u>   | <u>3,885</u>  | <u>447,588</u>   |
| Carrying amount:             |                   |                  |               |                  |
| Balance on December 31, 2021 | <u>\$ 195,165</u> | <u>872,350</u>   | <u>8,013</u>  | <u>1,075,528</u> |
| Balance on January 1, 2020   | <u>\$ 362,209</u> | <u>911,152</u>   | <u>13,050</u> | <u>1,286,411</u> |
| Balance on December 31, 2020 | <u>\$ 351,446</u> | <u>954,780</u>   | <u>10,396</u> | <u>1,316,622</u> |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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The Group's right-of-use assets increased resulting from the new lease contracts including gas stations, parking space and container yard. The decrease mainly came from terminating the lease contract with Cheng Loong which is located in Qingshui District, Taichung City.

(j) Short-term borrowings

|                                | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--------------------------------|------------------------------|------------------------------|
| Short-term borrowings          | \$ <u>40,000</u>             | <u>-</u>                     |
| Unused short-term credit lines | \$ <u>544,000</u>            | <u>764,000</u>               |
| Range of interest rates        | <u>1.63%</u>                 | <u>-</u>                     |

For information on interest rate risk and liquidity risk of the Group, please refer to note (6)(s).

(k) Long-term borrowings

|                               | <b>Currency</b> | <b>Maturity year</b> | <b>December<br/>31, 2021</b> | <b>December<br/>31, 2020</b> |
|-------------------------------|-----------------|----------------------|------------------------------|------------------------------|
| Secured bank loans            | NTD             | 2022~2025            | \$ 1,274,700                 | 1,174,700                    |
| Less: current portion         |                 |                      | <u>1,047,651</u>             | <u>150,000</u>               |
|                               |                 |                      | \$ <u>227,049</u>            | <u>1,024,700</u>             |
| Unused long-term credit lines |                 |                      | \$ <u>254,300</u>            | <u>324,300</u>               |
| Range of interest rates       |                 |                      | <u>0.97%~1.3%</u>            | <u>0.97%~1.45%</u>           |

(i) Issuance and repayment of the loans

The Group's additional amounts in loans for the years ended December 31, 2021 and 2020, were \$200,000 and \$949,000, respectively; and the repayments, including prepaying the loans, were \$100,000 and \$989,300, respectively.

(ii) As of December 31, 2021, the repayment schedule for the long-term borrowings was as follows:

| <b>Period</b>         | <b>Amount</b>       |
|-----------------------|---------------------|
| 2022.01.01~2022.12.31 | \$ 1,047,651        |
| 2023.01.01~2023.12.31 | 154,015             |
| 2024.01.01~2024.12.31 | 54,666              |
| 2025.01.01~2025.12.31 | <u>18,368</u>       |
|                       | \$ <u>1,274,700</u> |

(iii) Please refer to note (6)(s) for the interest rate risk and liquidity risk information of the Group.

(iv) Please refer to note (8) for the collateral for the long-term borrowings.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(l) Lease liabilities

The lease liabilities of the Group were as follows:

|             | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|-------------|------------------------------|------------------------------|
| Current     | <u>\$ 209,461</u>            | <u>235,389</u>               |
| Non-current | <u>\$ 890,087</u>            | <u>1,102,605</u>             |

For the maturity analysis, please refer to note (6)(s).

|  | <u>2021</u>       | <u>2020</u>   |
|--|-------------------|---------------|
| The amounts recognized in profit or loss were as follows:                    |                   |               |
| Interest on lease liabilities  | <u>\$ 16,593</u>  | <u>18,241</u> |
| Expenses relating to short-term leases                                       | <u>\$ 18,865</u>  | <u>15,435</u> |
| Lease modification gains (recorded as other gains and losses)                | <u>\$ (3,465)</u> | <u>(9)</u>    |
| COVID-19-related rent concessions (recognized as deduction of rent expenses) | <u>\$ -</u>       | <u>(803)</u>  |

The amount recognized in the statement of cash flows for the Group was as follows:

|                               | <u>2021</u>       | <u>2020</u>    |
|-------------------------------|-------------------|----------------|
| Total cash outflow for leases | <u>\$ 269,614</u> | <u>261,936</u> |

(i) Leases of land and buildings

The Group leases a number of office space, gas stations, warehouses and land. These leases typically run for a period of 3 to 10 years.

(ii) Other leases

The Group leases a number of stackers with short-term contract terms. The Group has chosen not to recognize right-of-use assets and lease liabilities for these leases.

(m) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value is as follows:

|  | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|--|------------------------------|------------------------------|
| Present value of the defined benefit obligations | <u>\$ (247,658)</u>          | <u>(305,270)</u>             |
| Fair value of plan assets                        | <u>147,473</u>               | <u>209,165</u>               |
| Net defined benefit liabilities                  | <u>\$ (100,185)</u>          | <u>(96,105)</u>              |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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The Company makes defined benefit plan contributions to the pension fund account with Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive retirement benefits based on years of service and average monthly salary for the six months prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labor. With regard to the utilization of the funds, minimum earnings shall be no less than the earnings attainable from two-year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$171,756 as of December 31, 2021. For information on the utilization of the labor pension fund assets, including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of the defined benefit obligations

The movements in present value of the defined benefit obligations for the Company were as follows:

|  | <u>2021</u>         | <u>2020</u>      |
|--|---------------------|------------------|
| Defined benefit obligations at January 1                             | \$ (305,270)        | (306,942)        |
| Benefits paid  | 72,920              | 27,605           |
| Pensions for employees who are transferred from affiliated companies | (1,301)             | -                |
| Current service costs and interest cost                              | (5,704)             | (7,620)          |
| Remeasurement in net defined benefit liabilities (assets)            | <u>(8,303)</u>      | <u>(18,313)</u>  |
| Defined benefit obligations at December 31                           | <u>\$ (247,658)</u> | <u>(305,270)</u> |

3) Movements of defined benefit plan assets

The movements in the present value of the defined benefit plan assets for the Company were as follows:

|   | <u>2021</u>       | <u>2020</u>     |
|---|-------------------|-----------------|
| Fair value of plan assets at January 1                    | \$ 209,165        | 204,184         |
| Expected return on plan assets                            | 1,297             | 2,003           |
| Remeasurement of net defined benefit liabilities (assets) | 2,413             | 4,907           |
| Contributions paid by the employer                        | 7,518             | 22,714          |
| Benefits paid   | <u>(72,920)</u>   | <u>(24,643)</u> |
| Fair value of plan assets at December 31                  | <u>\$ 147,473</u> | <u>209,165</u>  |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

4) Movements of the effect of the asset ceiling

In 2021 and 20220, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

5) Expenses recognized in profit or loss

The expenses recognized in profit or loss for the Company were as follows:

|                                | <u>2021</u>     | <u>2020</u>    |
|--------------------------------|-----------------|----------------|
| Current service costs          | \$ 3,829        | 4,623          |
| Interest cost                  | 1,875           | 2,997          |
| Expected return on plan assets | <u>(1,297)</u>  | <u>(2,003)</u> |
|                                | <u>\$ 4,407</u> | <u>5,617</u>   |
| Operating cost                 | \$ 2,318        | 2,643          |
| Administration expenses        | <u>2,089</u>    | <u>2,974</u>   |
|                                | <u>\$ 4,407</u> | <u>5,617</u>   |

6) Remeasurement of net defined benefit liabilities (assets) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income, was as follows:

|                                   | <u>2021</u>         | <u>2020</u>      |
|-----------------------------------|---------------------|------------------|
| Accumulated amount at January 1   | \$ (156,557)        | (143,151)        |
| Recognized during the period      | <u>(5,890)</u>      | <u>(13,406)</u>  |
| Accumulated amount at December 31 | <u>\$ (162,447)</u> | <u>(156,557)</u> |

7) Actuarial assumptions

The principal actuarial assumptions at the reporting date were as follows:

|                             | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|-----------------------------|------------------------------|------------------------------|
| Discount rate               | 0.625 %                      | 0.625 %                      |
| Future salary increase rate | 1.000 %                      | 1.000 %                      |

The expected allocation payment to be made by the Company to the defined benefit plans for the one-year period after the reporting date is \$5,732.

The weighted average lifetime of the defined benefits plans is 12.93 years.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

8) Sensitivity analysis

In determining the present value of the defined benefit obligation, the Company's management makes judgements and estimates in determining certain actuarial assumptions of the balance sheet date, which includes discount rate and future salary increase rate. Changes in actuarial assumptions may have significant impact on the amount of defined benefit obligation.

If the actuarial assumptions had changed, the impact on the present value of the defined benefit obligation shall be as follows:

|                               | <b>Influences of defined benefit obligations</b> |                            |
|-------------------------------|--|----------------------------|
|                               | <b>Increased<br/>0.25%</b>                       | <b>Decreased<br/>0.25%</b> |
| December 31, 2021             |  |                            |
| Discount rate                 | \$ (5,964)                                       | 6,182                      |
| Future salary increasing rate | 6,074  | (5,887)                    |
| December 31, 2020             |  |                            |
| Discount rate                 | (7,360)  | 7,648                      |
| Future salary increasing rate | 7,499  | (7,262)                    |

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of pension liabilities in the balance sheets.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2021 and 2020.

(ii) Defined contribution plans

The Group allocates 6% of each employee's monthly wages to the labor pension personal account at the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. Under these defined contribution plans, the Group allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Group recognized the pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$53,354 and \$50,946 for the years ended December 31, 2021 and 2020, respectively.

The other subsidiaries recognized the pension expense, basic endowment insurance expenses, and social welfare expenses amounting to \$938 and \$707 for the years ended December 31, 2021 and 2020, respectively.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

## (n) Income taxes

## (i) Income tax expenses

1) The components of income tax in the years 2021 and 2020 were as follows:

|   | <u>2021</u>      | <u>2020</u>    |
|---|------------------|----------------|
| Current tax expenses                              |                  |                |
| Current period                                    | \$ 86,038        | 87,246         |
| Land value increment tax                          | 2,426            | -              |
| Adjustment for prior periods                      | <u>181</u>       | <u>(3,480)</u> |
|   | <u>88,645</u>    | <u>83,766</u>  |
| Deferred tax expenses                             |                  |                |
| Origination and reversal of temporary differences | 1,069            | (3,016)        |
| Under (over) provision in prior periods           | <u>(207)</u>     | <u>2,502</u>   |
|   | <u>862</u>       | <u>(514)</u>   |
| Income tax expenses                               | <u>\$ 89,507</u> | <u>83,252</u>  |

2) The amounts of income tax recognized directly in other comprehensive income for 2021 and 2020 were as follows:

|  | <u>2021</u>       | <u>2020</u>   |
|--|-------------------|---------------|
| Items that will not be reclassified subsequently to profit or loss:                              |                   |               |
| Remeasurement from defined benefit plans   | \$ (1,178)        | (2,681)       |
| Unrealized gains (losses) on equity instruments at fair value through other comprehensive income | <u>(2,521)</u>    | <u>73,593</u> |
|  | <u>\$ (3,699)</u> | <u>70,912</u> |
| Items that may be reclassified subsequently to profit or loss:                                   |                   |               |
| Exchange differences on translation of foreign financial statements                              | <u>\$ 323</u>     | <u>388</u>    |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Reconciliation of income tax and profit before tax for 2021 and 2020 is as follows:

|  | <u>2021</u>      | <u>2020</u>   |
|--|------------------|---------------|
| Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned | \$ 132,519       | 111,859       |
| Net gains or losses on domestic investments accounted for using equity method  | (26,629)         | (17,606)      |
| Tax-exempt income  | (21,600)         | (14,649)      |
| Land value increment tax   | 2,426            | -             |
| Under (over) provision in prior periods  | (26)             | (978)         |
| Non-deductible expenses and others   | <u>2,817</u>     | <u>4,626</u>  |
| Income tax expenses  | <u>\$ 89,507</u> | <u>83,252</u> |

(ii) Deferred tax assets and liabilities

- 1) Unrecognized deferred tax assets: None.
- 2) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2021 and 2020 were as follows:

|  | <u>Defined benefit plans</u> | <u>Exchange differences on translation</u> | <u>Others</u> | <u>Total</u>  |
|--|------------------------------|--|---------------|---------------|
| Deferred tax assets:                     |                              |  |               |               |
| Balance on January 1, 2021               | \$ 15,816                    | 11,222                                     | 11,496        | 38,534        |
| Recognized in profit (loss)              | (362)                        | -  | (1,975)       | (2,337)       |
| Recognized in other comprehensive income | <u>1,178</u>                 | <u>(323)</u>                               | <u>-</u>      | <u>855</u>    |
| Balance on December 31, 2021             | <u>\$ 16,632</u>             | <u>10,899</u>                              | <u>9,521</u>  | <u>37,052</u> |
| Balance on January 1, 2020               | \$ 17,147                    | 11,610                                     | 10,622        | 39,379        |
| Recognized in profit (loss)              | (4,012)                      | -  | 874           | (3,138)       |
| Recognized in other comprehensive income | <u>2,681</u>                 | <u>(388)</u>                               | <u>-</u>      | <u>2,293</u>  |
| Balance on December 31, 2020             | <u>\$ 15,816</u>             | <u>11,222</u>                              | <u>11,496</u> | <u>38,534</u> |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | <b>Unrealized<br/>gains (losses)<br/>on financial<br/>assets</b> | <b>Overseas<br/>investment<br/>income<br/>accounted<br/>under the<br/>equity method</b> | <b>Others</b> | <b>Total</b>   |
|--|--|---|---------------|----------------|
| Deferred tax liabilities:                |  |   |               |                |
| Balance on January 1, 2021               | \$ 104,097   | 59,610  | 4,581         | 168,288        |
| Recognized in (profit) loss              | -  | (585)   | (890)         | (1,475)        |
| Recognized in other comprehensive income | (2,521)  | -   | -             | (2,521)        |
| Balance on December 31, 2021             | <u>\$ 101,576</u>  | <u>59,025</u>   | <u>3,691</u>  | <u>164,292</u> |
| Balance on January 1, 2020               | \$ 30,504  | 60,147  | 7,696         | 98,347         |
| Recognized in (profit) loss              | -  | (537)   | (3,115)       | (3,652)        |
| Recognized in other comprehensive income | 73,593   | -   | -             | 73,593         |
| Balance on December 31, 2020             | <u>\$ 104,097</u>  | <u>59,610</u>   | <u>4,581</u>  | <u>168,288</u> |

(iii) Assessment of tax

The tax returns of the Company and its R.O.C. subsidiaries for the years through 2019 were assessed by the Taipei National Tax Administration.

(o) Capital and other equity

(i) Ordinary shares

As of December 31, 2021 and 2020, the number of authorized ordinary shares were both \$1,800,000 with a par value of \$10 per share, and of which \$1,372,818 were issued. All issued shares were paid up upon issuance.

(ii) Capital surplus

The balances of capital surplus were as follows:

|                             | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|-----------------------------|------------------------------|------------------------------|
| Additional paid-in capital  | \$ 520,206                   | 520,206                      |
| Treasury share transactions | 61,912                       | 58,934                       |
| Other                       | 1,241                        | 1,241                        |
|                             | <u>\$ 583,359</u>            | <u>580,381</u>               |

According to the R.O.C. Company Act, capital surplus can only be used to offset a deficit, and only the realized capital surplus can be used to increase the common stock or be distributed as cash dividends. The aforementioned realized capital surplus includes capital surplus resulting from premium on issuance of capital stock and earnings from donated assets received. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, capital increases by transferring capital surplus in excess of par value should not exceed 10% of the total common stock outstanding.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(iii) Retained earnings

1) Legal reserve

When a company incurs no loss, it may, pursuant to a resolution by a shareholders' meeting, distribute its legal reserve by issuing new shares or by distributing cash, and only the portion of legal reserve which exceeds 25% of capital may be distributed.

2) Special reserve

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should equal to the current-period total net reduction of other shareholders' equity. For the year 2019 earnings distribution in 2020, the amount to be reclassified to special reserve shall be a portion of current-period earnings and undistributed prior-period earnings. As for the year 2020 earnings distribution in 2021, the amount to be reclassified to special reserve shall be a portion of current-period earnings plus other line items in the retained earnings movements and undistributed prior-period earnings. A portion of undistributed prior-period earnings shall be reclassified as special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Retain earnings-earnings distribution and dividend policy

Based on the Company's article of incorporation amended before July 1, 2021, if there is any profit after tax after closing of books in a given year, the Company shall first offset the accumulated deficits, if any, and set aside 10% of it as legal reserve. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Moreover, Company shall set aside or reserve a special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

Based on the Company's article of incorporation amended after July 1, 2021, if there is any profit after tax after closing of books in a given year, the Company shall first offset the accumulated deficits, if any, and set aside 10% of it as legal reserve. The legal reserve shall be based on after-tax net income for the period and other profit items adjusted to the current year's undistributed earnings other than after-tax net income for the period. Where such legal reserve amounts to the total paid-in capital, this provision shall not apply. Moreover, the Company shall set aside or reserve a special reserve in accordance with laws and regulations. And then any remaining profit together with any undistributed retained earnings shall be distributed according to the distribution plan proposed by the Board of Directors and submitted to the stockholders' meeting for approval.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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The abovementioned distribution shall be declared more than 30% to shareholders. The cash dividends shall not be lower than 10% of the total cash and stock dividends. However, stock dividends instead of cash dividends are declared if the cash dividends per share are less than NT\$0.1 (dollars). When there is a deduction from shareholders' equity, an amount equal to the deduction item is set aside as a special reserve (which does not qualify for earnings distribution). If the dividends per share are less than NT\$0.5 (dollars), they can be decided not to distribute.

Base on the resolutions of the annual stockholders' meeting held on July 1, 2021 and May 29, 2020, the appropriations of dividends from the distributable retained earnings of 2020 and 2019, respectively, were as follows:

|   | <u>2020</u>                 |                         | <u>2019</u>                 |                         |
|---|-----------------------------|-------------------------|-----------------------------|-------------------------|
|   | <u>Amount<br/>per share</u> | <u>Total<br/>amount</u> | <u>Amount<br/>per share</u> | <u>Total<br/>amount</u> |
| Dividends distributed to ordinary shareholders: |                             |                         |                             |                         |
| Cash  | \$ 2.2                      | <u>302,020</u>          | 1.8                         | <u>247,107</u>          |

On March 7, 2022, the Company's Board of Directors resolved to appropriate to 2021 earnings. These earnings were appropriated as follows:

|   | <u>2021</u>                 |                         |
|---|-----------------------------|-------------------------|
|   | <u>Amount<br/>per share</u> | <u>Total<br/>amount</u> |
| Dividends distributed to ordinary shareholders: |                             |                         |
| Cash  | \$ 2.5                      | <u>343,204</u>          |

(iv) Treasury shares

In accordance with Securities and Exchange Act requirements, the number of shares repurchased should not exceed 10% of all shares outstanding. Also, the value of the repurchased shares should not exceed the sum of the Company's retained earnings, share premium, and realized capital reserves.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

As of December 31, 2021 and 2020, since the subsidiary of the Group, Shan-Loong Investment, held a number of the ordinary shares of the Company, the Group accounted it under the treasury stock. The total shares and amounts were as follows:

|                       | <u>December 31, 2021</u>      |                  | <u>December 31, 2020</u>      |               |
|-----------------------|-------------------------------|------------------|-------------------------------|---------------|
|                       | <u>Shares<br/>(thousands)</u> | <u>Amount</u>    | <u>Shares<br/>(thousands)</u> | <u>Amount</u> |
| Shan-Loong Investment | <u>1,353</u>                  | <u>\$ 31,863</u> | <u>1,353</u>                  | <u>31,863</u> |
| Fair value            |                               | <u>\$ 49,401</u> |                               | <u>43,514</u> |

For the years ended December 31, 2021 and 2020, Shan-Loong Investment, received the cash  
(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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dividend which were distributed by the Company, amounting to \$2,978 and \$2,436, respectively, which were recorded as capital surplus - treasury share transactions.

(p) Earnings per share

The Group's basic and diluted earnings per share were calculated as follows:

|  | <u>2021</u>       | <u>2020</u>    |
|--|-------------------|----------------|
| <b>Basic earnings per share:</b>   |                   |                |
| Profit attributable to ordinary shareholders of the Company  | \$ <u>415,507</u> | <u>371,334</u> |
| Weighted average number of ordinary shares (thousands)   | <u>135,928</u>    | <u>135,928</u> |
| Basic earnings per share (dollars)   | \$ <u>3.06</u>    | <u>2.73</u>    |
| <b>Diluted earnings per share:</b>   |                   |                |
| Profit attributable to ordinary shareholders of the Company<br>(after adjustment the influence of potential ordinary shares) | \$ <u>415,507</u> | <u>371,334</u> |
| Weighted average number of ordinary shares (thousands)   | 135,928           | 135,928        |
| Dilutive effect of potential ordinary shares (thousands):  |                   |                |
| Employee share bonus   | <u>707</u>        | <u>567</u>     |
| Weighted average number of ordinary shares (after<br>adjustment the influence of potential ordinary shares)                  | <u>136,635</u>    | <u>136,495</u> |
| Diluted earnings per share (dollars)   | \$ <u>3.04</u>    | <u>2.72</u>    |

(q) Revenue from contracts with customers

(i) Disaggregation of revenue

|                                  | <u>2021</u>                       |   |                          |                   |
|----------------------------------|-----------------------------------|---|--------------------------|-------------------|
|                                  | <u>Transportation<br/>segment</u> | <u>Gasoline<br/>station<br/>segment</u> | <u>Other<br/>segment</u> | <u>Total</u>      |
| Primary geographical<br>markets: |                                   |   |                          |                   |
| Taiwan                           | \$ 3,649,042                      | 13,155,382                              | 1,758,576                | 18,563,000        |
| China                            | 8                                 | -                                       | -                        | 8                 |
| Vietnam                          | <u>249,155</u>                    | <u>-</u>                                | <u>-</u>                 | <u>249,155</u>    |
|                                  | <u>\$ 3,898,205</u>               | <u>13,155,382</u>                       | <u>1,758,576</u>         | <u>18,812,163</u> |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|                               | 2020                      |                                |                  |                   |
|-------------------------------|---------------------------|--------------------------------|------------------|-------------------|
|                               | Transportation<br>segment | Gasoline<br>station<br>segment | Other<br>segment | Total             |
| Primary geographical markets: |                           |                                |                  |                   |
| Taiwan                        | \$ 3,595,373              | 10,534,961                     | 1,559,238        | 15,689,572        |
| China                         | 37,213                    | -                              | -                | 37,213            |
| Vietnam                       | 228,715                   | -                              | -                | 228,715           |
|                               | <b>\$ 3,861,301</b>       | <b>10,534,961</b>              | <b>1,559,238</b> | <b>15,955,500</b> |

(ii) Contract balances

|   | December 31,<br>2021 | December 31,<br>2020 | January 1,<br>2020 |
|---|----------------------|----------------------|--------------------|
| Notes and accounts receivable           | \$ 969,765           | 854,666              | 921,700            |
| Less: allowance for impairment          | (3,069)              | (3,069)              | (3,310)            |
|   | <b>\$ 966,696</b>    | <b>851,597</b>       | <b>918,390</b>     |
| Contract liabilities – Unearned revenue | <b>\$ 21,815</b>     | <b>13,577</b>        | <b>13,122</b>      |

For details on accounts receivable and allowance for impairment, please refer to note (6)(d).

The major change in the balance of contract assets and liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received.

(r) Employee compensation and directors' and supervisors' remuneration

Based on the Company's articles of incorporation, if there is any profit in a fiscal year, the Company's pre-tax profits in such fiscal year, prior to deduction of compensations to employees, shall be distributed to employees as compensations in an amount of not less than one percent (1%) of such profits. In the event that the Company has accumulated losses, the Company shall reserve an amount to offset accumulated losses. The compensations to employees as mentioned above may be distributed in the form of stock or cash. Employees who are entitled to receive the above-mentioned employee remuneration, in shares or cash, include the employees of the Company's controlling and subordinate companies pursuant to the Company Act. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting. A company which has the profit distributed to employees in the form of shares by a resolution of the meeting of board of directors in accordance with the provision of the preceding paragraph may resolve, at the same meeting of the board of directors, to distribute the shares by way of new shares to be issued by the company or existing shares to be re-purchased by the company.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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The Company's remuneration to employees were \$22,000 and \$15,000, respectively, and the remuneration to directors were \$0 for the years ended December 31, 2021 and 2020. The estimated amounts mentioned above are calculated based on the net profit before tax, excluding the remuneration to employees and directors of each period, multiplied by the percentage of the remuneration to employees and directors as specified in company's articles. The remuneration were expensed under operating costs or operating expenses during 2021 and 2020.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2021 and 2020. Related information would be available at the Market Observation Post System Website.

(s) Financial instruments

(i) Credit risk

1) Credit risk exposure

The carrying amount of financial assets represents the maximum amount exposed to credit risk.

2) Concentration of credit risk

As of December 31, 2021 and 2020, the accounts receivable amounted to \$316,669 and \$304,452, respectively, comes from one of the Group's significant customer, whose main activities is the manufacturing and sale of paper products.

3) Receivables credit risk

For credit risk exposure of notes and accounts receivable, please refer to note 6(d). Other financial assets measured at amortized cost include other receivables, please refer to note (6)(e).

The abovementioned other receivables are considered to have low risk, and thus, the impairment provision recognized during the period was limited to 12 months expected losses. Regarding how the financial instruments are considered to have low credit risk, please refer to note (4)(g).

The loss allowance provision of other receivables was determined as follows:

|   | 2021      | 2020   |
|---|-----------|--------|
| Balance on January 1 (same as balance on December 31) | \$ 13,100 | 13,100 |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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(ii) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including estimated interest payments.

|   | <u>Carrying<br/>amount</u> | <u>Contractual<br/>cash flows</u> | <u>Within a<br/>year</u> | <u>1~2 years</u>   | <u>Over 2 years</u> |
|---|----------------------------|-----------------------------------|--------------------------|--------------------|---------------------|
| <b>December 31, 2021</b>                              |                            |                                   |                          |                    |                     |
| Non-derivative financial liabilities                  |                            |                                   |                          |                    |                     |
| Short-term borrowings                                 | \$ 40,000                  | (40,240)                          | (40,240)                 | -                  | -                   |
| Notes and accounts payable                            | 1,586,129                  | (1,586,129)                       | (1,586,129)              | -                  | -                   |
| Other payables  | 507,468                    | (507,468)                         | (507,468)                | -                  | -                   |
| Lease liabilities (including current and non-current) | 1,099,548                  | (1,151,949)                       | (223,091)                | (191,779)          | (737,079)           |
| Long-term borrowings (including current portion)      | 1,274,700                  | (1,290,233)                       | (1,057,512)              | (157,084)          | (75,637)            |
| Guarantee deposits received                           | 18,262                     | (18,262)                          | -                        | -                  | (18,262)            |
|   | <u>\$ 4,526,107</u>        | <u>(4,594,281)</u>                | <u>(3,414,440)</u>       | <u>(348,863)</u>   | <u>(830,978)</u>    |
| <b>December 31, 2020</b>                              |                            |                                   |                          |                    |                     |
| Non-derivative financial liabilities                  |                            |                                   |                          |                    |                     |
| Notes and accounts payable                            | \$ 1,364,501               | (1,364,501)                       | (1,364,501)              | -                  | -                   |
| Other payables  | 484,046                    | (484,046)                         | (484,046)                | -                  | -                   |
| Lease liabilities (including current and non-current) | 1,337,994                  | (1,403,578)                       | (251,917)                | (231,694)          | (919,967)           |
| Long-term borrowings (including current portion)      | 1,174,700                  | (1,200,915)                       | (162,480)                | (906,154)          | (132,281)           |
| Guarantee deposits received                           | 17,337                     | (17,337)                          | -                        | -                  | (17,337)            |
|   | <u>\$ 4,378,578</u>        | <u>(4,470,377)</u>                | <u>(2,262,944)</u>       | <u>(1,137,848)</u> | <u>(1,069,585)</u>  |

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

|                    | <u>December 31, 2021</u> |                      |            | <u>December 31, 2020</u> |                      |            |
|--------------------|--------------------------|----------------------|------------|--------------------------|----------------------|------------|
|                    | <u>Foreign currency</u>  | <u>Exchange rate</u> | <u>TWD</u> | <u>Foreign currency</u>  | <u>Exchange rate</u> | <u>TWD</u> |
| Financial assets   |                          |                      |            |                          |                      |            |
| Monetary items     |                          |                      |            |                          |                      |            |
| USD                | \$ 6,127                 | USD/TWD<br>=27.680   | 169,595    | 5,799                    | USD/TWD<br>=28.480   | 165,156    |
| Non-Monetary items |                          |                      |            |                          |                      |            |
| CNY                | 47,147                   | CNY/TWD<br>=4.344    | 204,805    | 58,275                   | CNY/TWD<br>=4.377    | 255,068    |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents and financial assets at fair value through other comprehensive income. A strengthening (weakening) of 5% of the TWD against the USD and CNY for the years ended December 31, 2021 and 2020, would have increased or decreased the profit before tax by \$8,480 and \$8,258, respectively; and would have increased or decreased the other comprehensive income by \$10,240 and \$12,753, respectively. The analysis is performed on the same basis for both periods.

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2021 and 2020, the foreign exchange gains (losses) (including both realized and unrealized) were as follows:

|   | <u>2021</u>       | <u>2020</u>    |
|---|-------------------|----------------|
| Foreign exchange gain (loss) (recorded as other gains and losses) | \$ <u>(4,959)</u> | <u>(9,235)</u> |

(iv) Interest rate analysis

The details of financial assets and liabilities exposed to interest rate risk were as follows:

|  | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|------------------------------|------------------------------|
| Variable rate instruments (Carrying amount): |                              |                              |
| Financial assets                             | \$ 1,348,100                 | 595,057                      |
| Financial liabilities                        | 40,000                       | -                            |

The following sensitivity analysis is based on the exposure to the interest rate risk of derivative and non-derivative financial instruments on the reporting date. Regarding assets and liabilities with variable interest rates, the analysis is based on the assumption that the amount of assets and liabilities outstanding at the reporting date were outstanding throughout the year. The rate of change is expressed as the interest rate increases or decreases by 0.25% when reporting to management internally, which also represents the Group's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Group's net profit before tax would have increased or decreased by \$3,270 and \$1,488, respectively, for the years ended December 31, 2021 and 2020, which would be mainly resulted from the bank deposits and short-term borrowings.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Other market price risk

For the years ended December 31, 2021 and 2020, the sensitivity analyses for the changes in the securities price at the reporting date were performed using the same basis for the profit and loss as illustrated below:

| <b>Prices of securities at the reporting date</b> | <b>2021</b>                                  |                          | <b>2020</b>                                  |                          |
|---|--|--------------------------|--|--------------------------|
|   | <b>Other comprehensive income before tax</b> | <b>Profit before tax</b> | <b>Other comprehensive income before tax</b> | <b>Profit before tax</b> |
| Increasing 5%                                     | \$ <u>(122,307)</u>                          | <u>-</u>                 | <u>122,514</u>                               | <u>17,453</u>            |
| Decreasing 5%                                     | \$ <u>122,307</u>                            | <u>-</u>                 | <u>(122,514)</u>                             | <u>(17,453)</u>          |

(vi) Fair value of financial instruments

1) Procedure of valuation and Fair value hierarchy

The Group's accounting policies and disclosure include fair value method on financial assets and financial liabilities. The Group's management is responsible in performing independent test on fair value by using independent source of information to obtain the fair value which is close to the market status. The management also confirms the independence, reliability and matching of the information source, and regularly test the valuation model, update the input and other information, and make necessary adjustment to ensure the output of valuation is reasonable.

The Group uses observable market data to evaluate its assets and liabilities when it is possible. The different inputs of levels of fair value hierarchy in determining the fair value are as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

2) The categories and the fair value of financial instruments

The carrying amount and fair value of the Group's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and lease liabilities, disclosure of fair value information is not required:

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|  | December 31, 2021          |            |         |         |           |
|--|----------------------------|------------|---------|---------|-----------|
|  | Carrying<br>amount         | Fair Value |         |         |           |
|  |                            | Level 1    | Level 2 | Level 3 | Total     |
| <b>Financial assets at fair value<br/>through other comprehensive<br/>income</b> |                            |            |         |         |           |
| Stock listed on domestic<br>markets  | \$ 2,059,749               | 2,059,749  | -       | -       | 2,059,749 |
| Unquoted equity instruments  | <u>386,384</u>             | -          | -       | 386,384 | 386,384   |
| Subtotal   | <u>2,446,133</u>           |            |         |         |           |
| <b>Financial assets measured at<br/>amortized cost</b>                           |                            |            |         |         |           |
| Cash and cash equivalents  | 1,553,286                  | -          | -       | -       | -         |
| Notes and accounts receivable,<br>net  | 649,969                    | -          | -       | -       | -         |
| Notes and accounts receivable-<br>related parties, net                           | 316,727                    | -          | -       | -       | -         |
| Other current financial assets   | 78,793                     | -          | -       | -       | -         |
| Refundable deposits (recorded<br>as other non-current assets)                    | <u>216,299</u>             | -          | -       | -       | -         |
| Subtotal   | <u>2,815,074</u>           |            |         |         |           |
|  | <b><u>\$ 5,261,207</u></b> |            |         |         |           |
| <b>Financial liabilities measured at<br/>amortized cost</b>                      |                            |            |         |         |           |
| Short-term borrowings  | \$ 40,000                  | -          | -       | -       | -         |
| Notes and accounts payable   | 1,586,129                  | -          | -       | -       | -         |
| Other payables   | 507,468                    | -          | -       | -       | -         |
| Lease liabilities (including<br>current and non-current)                         | 1,099,548                  | -          | -       | -       | -         |
| Long-term borrowings<br>(including current portion)                              | 1,274,700                  | -          | -       | -       | -         |
| Guarantee deposits   | <u>18,262</u>              | -          | -       | -       | -         |
|  | <b><u>\$ 4,526,107</u></b> |            |         |         |           |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

|   | December 31, 2020   |            |         |         |           |
|---|---------------------|------------|---------|---------|-----------|
|   | Carrying<br>amount  | Fair Value |         |         |           |
|   |                     | Level 1    | Level 2 | Level 3 | Total     |
| <b>Financial assets at fair value through profit or loss</b>                              |                     |            |         |         |           |
| Non-derivative financial assets mandatorily measured at fair value through profit or loss | \$ 349,054          | -          | 349,054 | -       | 349,054   |
| <b>Financial assets at fair value through other comprehensive income</b>                  |                     |            |         |         |           |
| Stock listed on domestic markets  | 1,983,893           | 1,983,893  | -       | -       | 1,983,893 |
| Unquoted equity instruments   | 466,390             | -          | -       | 466,390 | 466,390   |
| Subtotal  | <u>2,450,283</u>    |            |         |         |           |
| <b>Financial assets measured at amortized cost</b>  |                     |            |         |         |           |
| Cash and cash equivalents   | 786,408             | -          | -       | -       | -         |
| Notes and accounts receivable, net  | 546,632             | -          | -       | -       | -         |
| Notes and accounts receivable-related parties, net  | 304,965             | -          | -       | -       | -         |
| Other current financial assets  | 65,703              | -          | -       | -       | -         |
| Refundable deposits (recorded as other non-current assets)                                | 203,711             | -          | -       | -       | -         |
| Subtotal  | <u>1,907,419</u>    |            |         |         |           |
|   | <u>\$ 4,706,756</u> |            |         |         |           |
| <b>Financial liabilities measured at amortized costs</b>                                  |                     |            |         |         |           |
| Notes and accounts payable  | \$ 1,364,501        | -          | -       | -       | -         |
| Other payables  | 484,046             | -          | -       | -       | -         |
| Lease liabilities (including current and non-current)                                     | 1,337,994           | -          | -       | -       | -         |
| Long-term borrowings (including current portion)  | 1,174,700           | -          | -       | -       | -         |
| Guarantee deposits  | 17,337              | -          | -       | -       | -         |
|   | <u>\$ 4,378,578</u> |            |         |         |           |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Valuation techniques for financial instruments not measured at fair value

The Group's valuation techniques and assumptions used for financial instruments not measured at fair value are as follows:

Unquoted liability instruments and financial liabilities measured at amortized cost: If there is quoted price generated by transactions, the recent transaction price and quoted price data is used as the basis for fair value measurement. However, if no quoted prices are available, the discounted cash flows are used to estimate fair values.

4) Valuation techniques for financial instruments measured at fair value

Non-derivative financial instruments

Financial instruments trade in active markets is based on quoted market prices. The quoted price of a financial instrument obtained from main exchanges and on-the-run bonds from Taipei Exchange can be used as a base to determine the fair value of the listed companies' equity instrument and debt instrument of the quoted price in an active market.

If a quoted price of a financial instrument can be obtained in time and often from exchanges, brokers, underwriters, industrial union, pricing institute, or authorities and such price can reflect those actual trading and frequently happen in the market, then the financial instrument is considered to have a quoted price in an active market. If a financial instrument is not in accord with the definition mentioned above, then it is considered to be without a quoted price in an active market. In general, market with low trading volume or high bid-ask spreads is an indication of a non-active market.

Measurements of fair value of financial instruments without an active market are based on a valuation technique or quoted price from a competitor. Fair value measured by a valuation technique can be extrapolated from similar financial instruments or other valuation technique including a model using observable market data at the reporting date.

The measurement of fair value of a non-active market financial equity instruments held by the Group which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of EV/EBIT or price-to-book ratio of comparable listed companies as its basic measurement. These assumptions have been adjusted for the effect of discount for lack of marketability of the equity securities.

The fair value of the structured deposits held by the Group is measured at observable prices other than market prices. The used estimates and assumptions are based on the quoted prices of the financial institutions.

5) There were no transfers from one level to another of the Group for the years ended December 31, 2021 and 2020.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

6) Reconciliation of Level 3 fair values

|   | <b>Financial assets at<br/>fair value through<br/>other comprehensive<br/>income</b><br><hr/> <b>Unquoted equity<br/>instruments</b> |
|---|--|
| Balance on January 1, 2021                  | \$ 466,390   |
| Total gains and losses recognized:          |  |
| In other comprehensive income               | (11,171)   |
| Purchase                                    | 7,939  |
| Derecognized                                | <u>(76,774)</u>  |
| Balance on December 31, 2021                | <u><u>\$ 386,384</u></u>   |
| Balance on January 1, 2020                  | \$ 369,971   |
| Total gains and losses recognized:          |  |
| In other comprehensive income               | 163,299  |
| Proceeds of capital reduction of investment | <u>(66,880)</u>  |
| Balance on December 31, 2020                | <u><u>\$ 466,390</u></u>   |

For the years ended December 31, 2021 and 2020, the total gains and losses that were included in “unrealized gains and losses from financial assets at fair value through other comprehensive income” were as follows:

|  | <b>2021</b> | <b>2020</b> |
|--|-------------|-------------|
| Total gains and losses recognized:   |             |             |
| In other comprehensive income, and presented in<br>“unrealized gains and losses from financial assets at<br>fair value through other comprehensive income” | \$ (44,230) | 163,299     |

7) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Group’s financial instruments that use Level 3 inputs to measure fair value include “fair value through other comprehensive income – equity investments”.

Most of fair value measurements of the Group which are categorized as equity investment instruments into level 3 have several significant unobservable inputs. Significant unobservable inputs of equity instruments without quoted price are independent of each other.

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Quantified information of significant unobservable inputs was as follows:

| Item  | Valuation technique           | Significant unobservable inputs  | Inter-relationship between significant unobservable inputs and fair value measurement      |
|---|-------------------------------|--|--|
| Financial assets at fair value through other comprehensive income – unquoted equity instruments | Comparable transaction method | · Lack-of-Marketability discount rate (20%~35% and 20%~30%, respectively, on December 31, 2021 and 2020) | · The higher the Lack-of-Marketability discount rate is, the lower the fair value will be. |
| "   | "                             | · EV/EBIT ratio (8.91~19.36 and 14.85, respectively, on December 31, 2021 and 2020)                      | · The higher the multiple is, the higher the fair value will be.                           |
| "   | "                             | · Price-Book ratio (0.91~1.6 and 0.98~2.82, respectively, on December 31, 2021 and 2020)                 | "  |
| "   | Net asset value method        | · Net Asset Value  | · Not applicable   |

8) Fair value measurements in Level 3 – sensitivity analysis of reasonably possible alternative assumptions

The Group's fair value measurement on financial instruments is reasonable. However, the measurement would be different if different valuation models or valuation parameters are used. For financial instruments using level 3 inputs, if the valuation parameters changed, the impacts on other comprehensive income or loss are as follows:

|   | Input                               | Move up or down | Other comprehensive income |                    |
|---|-------------------------------------|-----------------|----------------------------|--------------------|
|   |                                     |                 | Favorable change           | Unfavorable change |
| <b>December 31, 2021</b>  |                                     |                 |                            |                    |
| Financial assets at fair value through other comprehensive income | Lack-of-Marketability discount rate | 5%              | \$ <u>4,616</u>            | <u>(4,686)</u>     |
| "   | EV/EBIT                             | 5%              | \$ <u>3,376</u>            | <u>(3,443)</u>     |
| "   | Price-to-Book Ratio                 | 5%              | \$ <u>7,616</u>            | <u>(7,684)</u>     |
| <b>December 31, 2020</b>  |                                     |                 |                            |                    |
| Financial assets at fair value through other comprehensive income | Lack-of-Marketability discount rate | 5%              | \$ <u>6,066</u>            | <u>(5,981)</u>     |
| "   | EV/EBIT                             | 5%              | \$ <u>6,463</u>            | <u>(6,429)</u>     |
| "   | Price-to-Book Ratio                 | 1%              | \$ <u>12,859</u>           | <u>(12,771)</u>    |

The favorable and unfavorable impacts reflect the movement of the fair value, in which the fair value is calculated by using the significant unobservable inputs in the valuation technique. The table above shows the effects of one unobservable input, without considering the inter-relationships with another unobservable input for financial instrument, if there are one or more unobservable inputs.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(t) Financial risk management

(i) Overview

The Group have exposures to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

The following likewise discusses the Group's objectives, policies and processes for measuring and managing the above mentioned risks. For more disclosures about the quantitative effects of these risks exposures, please refer to the respective notes in the accompanying consolidated financial statements.

(ii) Structure of risk management

The Board of Directors has overall responsibility for the control and oversight of the risk management framework. The financial department proposes the evaluation plan and benefit analysis and reports to management for approving. The transactions are authorized to the chairman of the Company to operate, and will be approved by the Board of Directors at the most recent board meeting.

The internal auditors of the Group perform the regularly or irregularly risk management control and operating activity audit in accordance with the internal audit plans. The result will be reported to the Audit Committee periodically. The Group has no transactions in financial instruments for the purpose of speculation.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash at bank, receivables from customers and investments in securities.

1) Accounts receivable and other receivables

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Purchase limits are established for each customer, these limits are reviewed periodically. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

In order to mitigate account receivable credit risk, the Group constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Group regularly accesses the collectability of accounts receivable and recognizes allowance for accounts receivable. The impairment losses are always within management's expectation.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Group's finance department. The Group only deals with banks, corporate organization and financial institutions with good credit rating. The Group does not expect any counterparty above fails to meet its obligations hence there is no significant credit risk arising from these counterparties.

3) Guarantees

Pursuant to the Group's policies, it is only permissible to provide financial guarantee to the entities listed in the policies. As of December 31, 2021 and 2020, the Group did not provide any guarantees to other companies besides its subsidiaries.

(iv) Liquidity risk

The Group manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Group's management supervises the banking facilities to ensure they are in compliance with the terms of loan agreements.

The loans and borrowings from the bank form an important source of liquidity for the Group. Please refer to note 6(j) and 6(k) for the unused credit lines of short-term and long-term loans as of December 31, 2021 and 2020.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

1) Currency risk

The Group is exposed to currency risk on sales, cost of goods sold, and expenses that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the NTD, CNY and VND. The currencies used in these transactions are the NTD, USD, CNY and VND.

As for other monetary assets and liabilities denominated in other foreign currencies, when short-term imbalance takes place and the amount is significant, the Group buys or sells foreign currencies at spot rate to ensure that the net exposure is kept on an acceptable level.

2) Interest rate risk

The subsidiaries of the Group borrow funds on floating interest rate, therefore, the Group has the risk of cash flow.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

3) Other market price risk

The Group is exposed to equity price risk due to the investments in listed stock investments and non-listed stock investments. This is a strategic investment and is not held for trading. The Group does not actively trade in these investments. The material investments of investment portfolio are managed individually and their purchase decision are all approved by the finance department.

(u) Capital management

The policy of capital management made by the Board of Directors is to maintain a strong capital base so as to stabilize the confidence of the investors, creditors and the public market and to sustain future development of the business. Capital consists of ordinary shares, capital surplus, retained earnings and non-controlling interests. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shares.

The Group monitors capital structure through the regular review of the asset-debt ratio. As of December 31, 2021 and 2020, the debt ratios of the Group were as follows:

|                     | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---------------------|------------------------------|------------------------------|
| Total liabilities   | \$ 4,896,414                 | 4,767,255                    |
| Total assets        | 10,353,197                   | 10,042,999                   |
| Debt-to-asset ratio | 47 %                         | 47 %                         |

As of December 31, 2021, there were no changes in the Group's approach of capital management.

(v) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2021 and 2020, were as follows:

- (i) The acquisition of right-of-use assets by lease, please refer to notes (6)(i) and (6)(l).
- (ii) Reconciliation of liabilities arising from financing activities was as follows:

|   | <b>January 1,<br/>2021</b> | <b>Cash flows</b> | <b>Non-cash<br/>changes<br/>Changes in<br/>lease<br/>payments<br/>and others</b> | <b>December<br/>31, 2021</b> |
|---|----------------------------|-------------------|--|------------------------------|
| Short-term borrowings                       | \$ -                       | 40,000            | -  | 40,000                       |
| Long-term borrowings                        | 1,174,700                  | 100,000           | -  | 1,274,700                    |
| Guarantee deposits                          | 17,337                     | 925               | -  | 18,262                       |
| Lease liabilities                           | 1,337,994                  | (234,156)         | (4,290)  | 1,099,548                    |
| Total liabilities from financing activities | <u>\$ 2,530,031</u>        | <u>(93,231)</u>   | <u>(4,290)</u>   | <u>2,432,510</u>             |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
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|   | <b>January 1,<br/>2020</b> | <b>Cash flows</b> | <b>Non-cash<br/>changes<br/>Changes in<br/>lease<br/>payments<br/>and others</b> | <b>December<br/>31, 2020</b> |
|---|----------------------------|-------------------|--|------------------------------|
| Short-term borrowings                       | \$ 10,000                  | (10,000)          | -  | -                            |
| Long-term borrowings                        | 1,215,000                  | (40,300)          | -  | 1,174,700                    |
| Guarantee deposits                          | 18,336                     | (999)             | -  | 17,337                       |
| Lease liabilities                           | <u>1,297,364</u>           | <u>(229,063)</u>  | <u>269,693</u>   | <u>1,337,994</u>             |
| Total liabilities from financing activities | <u>\$ 2,540,700</u>        | <u>(280,362)</u>  | <u>269,693</u>   | <u>2,530,031</u>             |

**(7) Related-party transactions:**

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in consolidated financial statements:

| <u>Name of related party</u>            | <u>Relationship with the Group</u>   |
|---|--|
| Cheng Loong Corporation (Cheng Loong)   | This Company is the corporate director of the Company  |
| Shine Far Construction Co., Ltd.        | This Company is the corporate director of the Company  |
| Shine Far Property Co., Ltd.            | Its parent company is the corporate director of the Company  |
| Gemtech Optoelectronics Corp.           | The same chairman of the Board with Cheng Loong  |
| Ko Loong Industry Co., Ltd.             | It has the same chairman as that of the Board of the Company and became an associate of the Company since April 2021 |
| Sun Favorite Co., Ltd.                  | Half of the directors of this company are the directors of the Company   |
| Shanghai Chung Hao Paper Co., Ltd.      | Its ultimate parent company is the corporate director of the Company   |
| Suzhou Cheng Loong Paper Co., Ltd.      | Its ultimate parent company is the corporate director of the Company   |
| Shan Fu Paper (Kunsan) Co., Ltd.        | Its ultimate parent company is the corporate director of the Company   |
| Cheng Loong (Gwangtung) Paper Co., Ltd. | Its ultimate parent company is the corporate director of the Company   |
| Dongguan Ming Loong Paper Co., Ltd.     | Its ultimate parent company is the corporate director of the Company   |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| <u>Name of related party</u>                        | <u>Relationship with the Group</u>  |
|---|---|
| Zhangzhou Cheng Loong Paper Co., Ltd.               | Its ultimate parent company is the corporate director of the Company  |
| Qingdao Chung Loong Paper Co., Ltd.                 | Its ultimate parent company is the corporate director of the Company  |
| Cheng Loong (Hangzhou) Investment Co., Ltd.         | Its ultimate parent company is the corporate director of the Company  |
| Chung Ming International Limited Taiwan Branch      | Its ultimate parent company is the corporate director of the Company  |
| Wen Gin Development Co., Ltd. (Wen Gin Development) | The relationship between the chairman of the Company and of this company is within second degree of kinship |
| Chung Ming International Limited                    | Its ultimate parent company is the corporate director of the Company  |
| Cheng Loong Binh Duong Container Co., Ltd.          | Its ultimate parent company is the corporate director of the Company  |
| Vina Tawana Container Co., Ltd.                     | Its ultimate parent company is the corporate director of the Company  |
| Cheng Loong Long An Container Co., Ltd.             | Its ultimate parent company is the corporate director of the Company  |
| Cheng Loong Binh Duong Paper Co., Ltd.              | Its ultimate parent company is the corporate director of the Company  |
| Tsai-Yuan Lin                                       | The manager of the Company before September 15, 2021  |

(b) Significant transactions with related parties

(i) Sales

The amounts of significant sales transactions between the Group and related parties were as followings:

|                       | <b>Sales</b>        |                  |
|-----------------------|---------------------|------------------|
|                       | <u>2021</u>         | <u>2020</u>      |
| Other related parties | \$ 2,013,113        | 1,823,138        |
| Associates            | 78                  | -                |
|                       | <u>\$ 2,013,191</u> | <u>1,823,138</u> |

Sales prices and other transaction terms for related parties were similar to those of the third-party customers.

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(ii) Receivables from related parties

The receivables from related parties were as follows:

| <u>Account</u>   | <u>Related-party categories</u>       | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|--|---------------------------------------|------------------------------|------------------------------|
| Accounts receivables   | Other related parties<br>—Cheng Loong | \$ 266,188                   | 257,039                      |
| Accounts receivables   | Other related parties                 | 50,524                       | 47,926                       |
| Accounts receivables   | Associates                            | 15                           | -                            |
| Other receivables<br>(recorded as other<br>current financial assets) | Other related parties                 | 1,439                        | 425                          |
|  |                                       | <u>\$ 318,166</u>            | <u>305,390</u>               |

(iii) The costs and expenses paid to related parties

The costs and expenses paid to related parties were as follows:

| <u>Account</u>                            | <u>Relationship</u>   | <u>2021</u>      | <u>2020</u>   |
|---|-----------------------|------------------|---------------|
| Operating costs and<br>operating expenses | Other related parties | \$ 42,143        | 48,274        |
| "   | Associates            | 2,245            | -             |
|   |                       | <u>\$ 44,388</u> | <u>48,274</u> |

(iv) Purchases of property, plant and equipment

- 1) In December 2020, the Group purchased the land and building located in Banqiao District, New Taipei City amounting to \$169,189 (excluding tax) from a related party, Cheng Loong. Pricing of the above land and building was based on the valuation report from CCIS Real Estate Joint Appraisers Firm and Zhonglian Real Estate Appraiser Firm. As of December 31, 2020, the process for transferring the property has been completed and the above payable had been fully paid.
- 2) The Group purchased the transportation equipment from the related parties and engaged related parties to engineer the facilities on the leased land. The total price was as follows:

|                       | <u>Total price</u> |              |
|-----------------------|--------------------|--------------|
|                       | <u>2021</u>        | <u>2020</u>  |
| Other related parties | \$ 14,868          | 8,932        |
| Associates            | 18,969             | -            |
|                       | <u>\$ 33,837</u>   | <u>8,932</u> |

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(v) Payable to related parties

The payables to related parties resulting from the above transactions were as follows:

| <u>Account</u>   | <u>Relationship</u>   | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|------------------|-----------------------|------------------------------|------------------------------|
| Accounts payable | Other related parties | \$ 1,008                     | 2,121                        |
| Other payables   | Other related parties | 2,659                        | 1,241                        |
| Other payables   | Associates            | 3,421                        | -                            |
|                  |                       | <u>\$ 7,088</u>              | <u>3,362</u>                 |

(vi) Disposal of transportation equipment

The total disposal price and unreceived balance of transportation equipment sold to related parties were as follows:

|                       | <u>Total price</u> |             | <u>Other receivables from<br/>related parties</u> |                              |
|-----------------------|--------------------|-------------|---|------------------------------|
|                       | <u>2021</u>        | <u>2020</u> | <u>December 31,<br/>2021</u>                      | <u>December 31,<br/>2020</u> |
| Other related parties | \$ <u>1,262</u>    | <u>994</u>  | <u>-</u>  | <u>-</u>                     |

For the years ended December 31, 2021 and 2020, the losses on disposal of transportation equipment amounted to \$483 and \$50, respectively.

(vii) Lease

1) Lessee

The Group rented several office spaces and lands from Cheng Loong and other related parties. The rental fee is determined based on nearly office rental rates. The details of the above lease transactions are as follows:

|                                       | <u>Lease liabilities</u>     |                              | <u>Interest expense</u> |              |
|---------------------------------------|------------------------------|------------------------------|-------------------------|--------------|
|                                       | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> | <u>2021</u>             | <u>2020</u>  |
| Other related parties – Cheng Loong   | \$ 65,663                    | 280,171                      | 2,643                   | 4,129        |
| Key management personnel of the Group | -                            | 141                          | 1                       | 2            |
|                                       | <u>\$ 65,663</u>             | <u>280,312</u>               | <u>2,644</u>            | <u>4,131</u> |

2) Lessor

The Group rented out the office building to other related parties. The details of the above lease transactions are as follows:

|                       | <u>Rental income (recorded<br/>as other income)</u> |              | <u>Other receivables from<br/>related parties</u> |                              |
|-----------------------|---|--------------|---|------------------------------|
|                       | <u>2021</u>   | <u>2020</u>  | <u>December 31,<br/>2021</u>                      | <u>December 31,<br/>2020</u> |
| Other related parties | \$ <u>3,000</u>                                     | <u>3,000</u> | <u>-</u>  | <u>-</u>                     |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(c) Key management personnel compensation

Key management personnel compensation comprised:

|                              | <b>2021</b>      | <b>2020</b>   |
|------------------------------|------------------|---------------|
| Short-term employee benefits | \$ 46,321        | 40,194        |
| Post-employment benefits     | 442              | 652           |
|                              | <b>\$ 46,763</b> | <b>40,846</b> |

**(8) Pledged assets:**

The carrying values of pledged assets were as follows:

| <b>Pledged assets</b>                     | <b>Object</b>                      | <b>December 31,<br/>2021</b> | <b>December 31,<br/>2020</b> |
|---|------------------------------------|------------------------------|------------------------------|
| Property, plant and equipment—land        | Long-term borrowings               | \$ 90,562                    | 90,562                       |
| Property, plant and equipment—buildings   | "                                  | 17,532                       | 20,026                       |
| Refundable deposits (deposit certificate) | Deposits for performance guarantee | 72,332                       | 66,776                       |
|   |                                    | <b>\$ 180,426</b>            | <b>177,364</b>               |

**(9) Significant commitments and contingencies:**

- (a) As of December 31, 2021 and 2020, the Group's unrecognized contractual commitments for gas station engineering and office renovation amounted to \$2,671 and \$18,394, respectively.
- (b) As of December 31, 2021 and 2020, the Group had outstanding stand-by letters of credit provided by the banks totaling \$2,026,000 and \$1,776,000, respectively, for purposes of gasoline purchase, transportation and customs guarantee, etc.

**(10) Losses due to major disasters: None**

**(11) Subsequent events: None**

**(12) Others:**

A summary of current-period employee benefits and depreciation, by function, is as follows:

| <b>By item</b>             | <b>By function</b> | <b>2021</b>           |                           |              | <b>2020</b>           |                           |              |
|----------------------------|--------------------|-----------------------|---------------------------|--------------|-----------------------|---------------------------|--------------|
|                            |                    | <b>Operating cost</b> | <b>Operating Expenses</b> | <b>Total</b> | <b>Operating cost</b> | <b>Operating Expenses</b> | <b>Total</b> |
| Employee benefits          |                    |                       |                           |              |                       |                           |              |
| Salary                     |                    | 488,880               | 763,981                   | 1,252,861    | 478,721               | 745,394                   | 1,224,115    |
| Labor and health insurance |                    | 43,529                | 73,541                    | 117,070      | 40,209                | 66,771                    | 106,980      |
| Pension                    |                    | 24,418                | 34,281                    | 58,699       | 23,636                | 33,634                    | 57,270       |
| Others                     |                    | 3,219                 | 23,112                    | 26,331       | 2,749                 | 22,077                    | 24,826       |
| Depreciation               |                    | 224,050               | 266,973                   | 491,023      | 238,337               | 254,616                   | 492,953      |
| Amortization               |                    | -                     | -                         | -            | -                     | -                         | -            |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(13) Additional disclosures:**

(a) Information on significant transactions:

The following is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group for the year ended December 31, 2021.

(i) Loans to other parties: None

(ii) Guarantees and endorsements for other parties:

| No. | Name of guarantor | Counter-party of guarantee and endorsement |                               | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|--|--|
|     |                   | Name                                       | Relationship with the Company |   |   |   |                                       |   |   |  |  |  |  |
| 0   | The Company       | Shan-Loong Motors                          | Note 2                        | 2,628,055   | 150,000   | 150,000   | -                                     | -   | 2.85 %  | 5,256,110                                      | Y  | -  | -  |

Note 1: The total amount of endorsements shall not exceed the Company's net assets, and the endorsements for a single company shall not exceed 50% of the Company's net assets.

Note 2: Subsidiary whose over 50% common stock is directly or indirectly owned.

Note 3: The above counter-party of guarantee and endorsement is one of the entities in the consolidated financial statements.

(iii) Securities held as of December 31, 2021 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands of shares)

| Name of holder | Category and name of security           | Relationship with company                            | Account title   | Ending balance           |                |                             |            | Highest balance during the year |                             | Note |
|----------------|---|--|---|--------------------------|----------------|-----------------------------|------------|---------------------------------|-----------------------------|------|
|                |   |  |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | Shares/Units (thousands)        | Percentage of ownership (%) |      |
| The Company    | Stock:<br>Cheng Loong Corporation stock | Cheng Loong is the corporate director of the Company | Non current financial assets at fair value through other comprehensive income | 19,376                   | 683,977        | 1.75%                       | 683,977    | 19,376                          | 1.75 %                      |      |
| The Company    | Gemtech Optoelectronics Corp. stock     | The same chairman of the Board with Cheng Loong      | Non current financial assets at fair value through other comprehensive income | 3,644                    | 72,734         | 19.29%                      | 72,734     | 3,644                           | 19.29 %                     |      |
| The Company    | Cheng Loong investment Co., Ltd. stock  | -  | Non current financial assets at fair value through other comprehensive income | 600                      | 29,214         | 4.62%                       | 29,214     | 600                             | 4.62 %                      |      |
| The Company    | Shin Loong Lifecare Corp. stock         | -  | Non current financial assets at fair value through other comprehensive income | 350                      | 2,317          | 5.83%                       | 2,317      | 350                             | 5.83 %                      |      |
| The Company    | Yueh Loong Co., Ltd. stock              | -  | Non current financial assets at fair value through other comprehensive income | 323                      | 5,379          | 10.78%                      | 5,379      | 323                             | 10.78 %                     |      |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| Name of holder                  | Category and name of security             | Relationship with company | Account title   | Ending balance           |                |                             |            | Highest balance during the year |                             | Note   |
|---------------------------------|---|---------------------------|---|--------------------------|----------------|-----------------------------|------------|---------------------------------|-----------------------------|--------|
|                                 |   |                           |   | Shares/Units (thousands) | Carrying value | Percentage of ownership (%) | Fair value | Shares/Units (thousands)        | Percentage of ownership (%) |        |
| The Company                     | Shine Far Co., Ltd. stock                 | -                         | Non current financial assets at fair value through other comprehensive income | 270                      | 13,097         | 0.87%                       | 13,097     | 270                             | 0.87 %                      |        |
|                                 | Stocks:                                   |                           |   |                          |                |                             |            |                                 |                             |        |
| Shan Loong Investment Co., Ltd. | Cheng Loong Corporation stock             | -                         | Non-current financial assets at fair value through other comprehensive income | 31,819                   | 1,123,200      | 2.87%                       | 1,123,200  | 31,819                          | 2.87 %                      |        |
| "                               | Shan Loong Transportation Co., Ltd. stock | Parent company            | Non current financial assets at fair value through other comprehensive income | 1,353                    | 49,401         | 0.99%                       | 49,401     | 1,353                           | 0.99 %                      | Note 1 |
| "                               | Cheng Loong investment Co., Ltd. stock    | -                         | Non current financial assets at fair value through other comprehensive income | 1,200                    | 58,362         | 9.23%                       | 58,362     | 1,200                           | 9.23 %                      |        |
| "                               | Yueh Loong Co., Ltd. stock                | -                         | Non current financial assets at fair value through other comprehensive income | 29                       | 476            | 0.95%                       | 476        | 29                              | 0.95 %                      |        |
|                                 | Stocks:                                   |                           |   |                          |                |                             |            |                                 |                             |        |
| Shan Loong Customs Broker       | Cheng Loong Corporation stock             | -                         | Non current financial assets at fair value through other comprehensive income | 7,155                    | 252,572        | 0.65%                       | 252,572    | 7,155                           | 0.65 %                      |        |
| Shan Loong International        | Chung Loong Paper Holdings Limited        | -                         | Non current financial assets at fair value through other comprehensive income | 3,349                    | 204,805        | 5.00%                       | 204,805    | 3,349                           | 5.00 %                      |        |

Note 1: The transactions have been eliminated in the consolidated financial statement.

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None

(Continued)

**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company                                     | Related party                         | Nature of relationship   | Transaction details                              |             |                                     |               | Transactions with terms different from others      |               | Notes/Trade receivables (payable) |   | Note   |
|---|---------------------------------------|--|--|-------------|-------------------------------------|---------------|--|---------------|-----------------------------------|---|--------|
|   |                                       |  | Purchase/ Sale                                   | Amount      | Percentage of total purchases/sales | Payment terms | Unit price   | Payment terms | Ending balance                    | Percentage of total notes/trade receivables (payable) |        |
| The Company   | Cheng Loong                           | Cheng Loong is the corporate director of the Company                 | Freight and gas revenue                          | (1,476,881) | (8.60)%                             | 20-80 days    | There is no difference to those of the third-party | No difference | Accounts receivable 250,020       | 32.36%  |        |
| Shan Loong Motors                                   | The Company                           | Parent company   | Revenue from truck sales, maintenance and repair | (162,469)   | (29.71)%                            | 25 days       | "  | "             | Accounts receivable 17,442        | 62.06%  | Note 1 |
| Shan Loong international & Customs Broker Co., Ltd. | Cheng Loong                           | This Company is the corporate director of the Company                | Customs agent revenue                            | (101,649)   | (10.57)%                            | 60 days       | "  | "             | Accounts receivable 16,168        | 11.15%  |        |
| Shan Loong international & Customs Broker Co., Ltd. | Chung Ming International Limited      | Its ultimate parent company is the corporate director of the Company | Customs agent revenue                            | (168,000)   | (17.47)%                            | 25 days       | "  | "             | Accounts receivable 8,553         | 5.90%   |        |
| Shan-Loong Logistics Co., Ltd.                      | Cheng Loong Binh Duong Paper Co., Ltd | Its ultimate parent company is the corporate director of the Company | Freight transportation revenue                   | (118,969)   | (47.75)%                            | 60 days       | "  | "             | Accounts receivable 17,297        | 56.02%  |        |

Note 1: The transactions have been eliminated in the consolidated financial statement.

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

| Name of company | Related-party | Nature of relationship                               | Ending balance | Turnover rate | Overdue |              | Amounts received in subsequent period | Loss allowance |
|-----------------|---------------|--|----------------|---------------|---------|--------------|---------------------------------------|----------------|
|                 |               |  |                |               | Amount  | Action taken |                                       |                |
| The Company     | Cheng Loong   | Cheng Loong is the corporate director of the Company | 250,020        | 5.88          | -       |              | Accounts receivable 242,146           | -              |

Note 1: Information as of February 28, 2022.

(ix) Trading in derivative instruments: None.

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(x) Business relationships and significant intercompany transactions:

| No.<br>(Note1) | Name of company   | Name of counter-party | Nature of relationship<br>(Note 2) | Intercompany transactions (Note 3) |         |   |  |
|----------------|-------------------|-----------------------|------------------------------------|------------------------------------|---------|---|--|
|                |                   |                       |                                    | Account name                       | Amount  | Trading terms   | Percentage of the consolidated net revenue or total assets |
| 1              | Shan Loong Motors | The Company           | 2                                  | Operating revenue                  | 162,469 | The selling price and payment conditions are not significantly different from other customers | 0.86%  |
| 1              | Shan Loong Motors | The Company           | 2                                  | Accounts receivable                | 17,442  | The selling price and payment conditions are not significantly different from other customers | 0.17%  |

Note 1: The numbers filled in as follows:

1. 0 represents in the Company.
2. Subsidiaries are sorted in a numerical order starting from 1.

Note 2: Relationship with the transactions labeled as follows:

1. represents the transactions from the parent company to its subsidiaries.
2. represents the transactions from the subsidiaries to its parent company.
3. represents the transactions between subsidiaries.

Note 3: The transactions above have been eliminated in the consolidated financial statement.

(b) Information on investees:

The following is the information on investees (excluding information on investees in Mainland China):

(In thousands of shares)

| Name of investor         | Name of investee          | Location               | Main businesses and products              | Original investment amount      |                                 | Balance as of ending of the period |                         |                         | Net income (losses) of investee (Note 2) | Share of profits / losses of investee (Note 2)               | Highest balance during the year |                         | Note                       |
|--------------------------|---------------------------|------------------------|---|---------------------------------|---------------------------------|------------------------------------|-------------------------|-------------------------|--|--|---------------------------------|-------------------------|----------------------------|
|                          |                           |                        |   | December 31, 2021 (Note 1)      | December 31, 2020 (Note 1)      | Shares                             | Percentage of ownership | Carrying value (Note 1) |  |  | Shares                          | Percentage of ownership |                            |
| The Company              | Shan-Loong Investment     | New Taipei City        | Investing activities                      | 400,000                         | 400,000                         | 40,000                             | 100.00%                 | 1,200,089               | 57,057                                   | 54,079   | 40,000                          | 100.00 %                | Subsidiary company (Note3) |
| The Company              | Shan Loong Customs Broker | Keelung                | Import and export agent services          | 131,000                         | 131,000                         | 13,100                             | 100.00%                 | 410,023                 | 60,933                                   | 60,933   | 13,100                          | 100.00 %                | "                          |
| The Company              | Shan-Loong International  | British Virgin Islands | Investing activities                      | 278,101<br>(USD10,047 thousand) | 278,101<br>(USD10,047 thousand) | 10,047                             | 100.00%                 | 611,081                 | (2,924)                                  | (2,924)  | 10,047                          | 100.00 %                | "                          |
| The Company              | Shang Loong Motors        | New Taipei City        | Truck repair, maintenance and sales       | 200,000                         | 36,000                          | 20,000                             | 100.00%                 | 216,477                 | 19,384                                   | 15,533   | 20,000                          | 100.00 %                | "                          |
| The Company              | Ko Loong Industry         | New Taipei City        | Synthetic resin and plastic manufacturing | 28,655                          | -                               | 2,014                              | 19.75%                  | 71,325                  | 13,174                                   | 2,601  | 2,014                           | 19.75 %                 | -                          |
|                          |                           |                        |   |                                 |                                 |                                    |                         | <b>2,508,995</b>        |  | <b>130,222</b>   |                                 |                         |                            |
| Shan-Loong International | Long Yun                  | Samoa                  | Investing activities                      | 22,725<br>(USD821 thousand)     | 22,725<br>(USD821 thousand)     | 821                                | 100.00%                 | 231,173                 | 1,938                                    | Investment gains and losses recognized by its parent company | 821                             | 100.00 %                | Subsidiary company (Note3) |
| Shan-Loong International | Loong De                  | Samoa                  | Investing activities                      | 28,234<br>(USD1,020 thousand)   | 28,234<br>(USD1,020 thousand)   | 1,020                              | 100.00%                 | 48,427                  | 8,029                                    | "  | 1,020                           | 100.00 %                | "                          |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| Name of investor | Name of investee               | Location | Main businesses and products                          | Original investment amount |                            | Balance as of ending of the period |                         |                         | Net income (losses) of investee (Note 2) | Share of profits /losses of investee (Note 2) | Highest balance during the year |                         | Note |
|------------------|--------------------------------|----------|---|----------------------------|----------------------------|------------------------------------|-------------------------|-------------------------|--|---|---------------------------------|-------------------------|------|
|                  |                                |          |   | December 31, 2021 (Note 1) | December 31, 2020 (Note 1) | Shares                             | Percentage of ownership | Carrying value (Note 1) |  |   | Shares                          | Percentage of ownership |      |
| Loong De         | Shan-Loong Logistics Co., Ltd. | Vietnam  | Warehousing, freight transportation and related agent | 28,234 (USD1,020 thousand) | 28,234 (USD1,020 thousand) | -                                  | 51.00%                  | 48,451                  | 15,742                                   | "   | -                               | 51.00 %                 | "    |

Note 1: The amounts of New Taiwan Dollars were exchanged by the closing rates on the reporting date.

Note 2: The amounts of New Taiwan Dollars were exchanged by the average rates on the reporting date.

Note 3: The transactions above have been eliminated in the consolidated financial statement.

(c) Information on investment in mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

| Name of investee  | Main businesses and products   | Total amount of capital surplus (Note 8) | Method of investment (Note 1) | Accumulated outflow of investment from Taiwan as of beginning of the period | Investment flows |                 | Accumulated outflow of investment from Taiwan as of ending of the period | Percentage of ownership | Highest percentage of ownership | Net income (losses) of the investee (Note 6) | Investment income (losses) (Note 6) | Book value (Note 5) | Accumulated remittance of earnings in current period |
|---|--|--|-------------------------------|---|------------------|-----------------|--|-------------------------|---------------------------------|--|-------------------------------------|---------------------|--|
|   |  |  |                               |   | Outflow          | Inflow (Note 5) |  |                         |                                 |  |                                     |                     |  |
| Shanghai Chung Loong Paper Co., Ltd. (Shanghai Chung Loong) | Corrugated medium and kraft linerboard   | (Note 8)                                 | (Note 1)                      | 160,046 (USD 5,782 thousand)  | -                | -               | 160,046 (USD 5,782 thousand)   | -%                      | -%                              | -  | -                                   | -                   | -  |
| Shanghai Shan Tong  | Warehousing, freight transportation and related agent                                    | 21,720 (RMB5,000 thousand) (Note 7)      | (Note 1)                      | 40,721 (USD812 thousand and RMB4,200 thousand)                              | -                | -               | 40,721 (USD812 thousand and RMB4,200 thousand)                           | 60.00%                  | 60.00%                          | 3,348  | 2,009                               | 231,183             | -  |
| Loong Fu Paper (Kunsan) Co., Ltd.                           | Corrugated paper boxes, cardboard and paper products                                     | 276,800 (USD10,000 thousand)             | (Note 1)                      | 30,863 (USD1,115 thousand)  | -                | -               | 30,863 (USD1,115 thousand)   | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |
| Cheng Loong (Gwangtung) Paper Co., Ltd.                     | Cardboard, paper boxes, paper products and packing decoration printing                   | 858,080 (USD31,000 thousand)             | (Note 1)                      | 23,500 (USD849 thousand)  | -                | -               | 23,500 (USD849 thousand)   | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |
| Zhangzhou Cheng Loong Paper Co., Ltd.                       | Cardboard, paper boxes and paper products  | 353,750 (USD12,780 thousand)             | (Note 1)                      | 17,660 (USD638 thousand)  | -                | -               | 17,660 (USD638 thousand)   | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |
| Qingdao Chung Loong Paper Co., Ltd.                         | Cardboard, paper boxes and paper products  | (Note 8)                                 | (Note 1)                      | 4,152 (USD150 thousand)   | -                | -               | 4,152 (USD150 thousand)  | -%                      | -%                              | -  | -                                   | -                   | -  |
| Tianjin Chung Loong Paper Co., Ltd.                         | Corrugated cardboard, paper boxes, paper pallets and paper products                      | (Note 8)                                 | (Note-)                       | 13,868 (USD501 thousand)  | -                | -               | 13,868 (USD501 thousand)   | -%                      | -%                              | -  | -                                   | -                   | -  |
| Suzhou Cheng Loong Paper Co., Ltd.                          | Cardboard  | 512,080 (USD18,500 thousand)             | (Note 1)                      | 4,844 (USD175 thousand)   | -                | -               | 4,844 (USD175 thousand)  | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |
| Chong Qing Cheng Loong Paper Co., Ltd.                      | Corrugated, cardboard, corrugated boxes, display boxes, paper pallets and paper products | 373,680 (USD13,500 thousand)             | (Note 1)                      | 4,678 (USD169 thousand)   | -                | -               | 4,678 (USD169 thousand)  | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

| Name of investee                               | Main businesses and products  | Total amount of capital surplus | Method of investment | Accumulated outflow of investment from Taiwan as of beginning of the period | Investment flows |                 | Accumulated outflow of investment from Taiwan as of ending of the period | Percentage of ownership | Highest percentage of ownership | Net income (losses) of the investee (Note 6) | Investment income (losses) (Note 6) | Book value (Note 5) | Accumulated remittance of earnings in current period |
|--|---|---------------------------------|----------------------|---|------------------|-----------------|--|-------------------------|---------------------------------|--|-------------------------------------|---------------------|--|
|  |   |                                 |                      |   | Outflow          | Inflow (Note 5) |  |                         |                                 |  |                                     |                     |  |
| Chengdu Cheng Loong Packing Products Co., Ltd. | Corrugated cardboard, paper boxes, paper pallets and paper products | 111,993 (USD4,046 thousand)     | (Note1)              | 3,460 (USD125 thousand)   | -                | -               | 3,460 (USD125 thousand)  | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |
| Henan Cheng Loong Packing Products Co., Ltd.   | Corrugated cardboard and packaging products                         | 276,523 (USD9,990 thousand)     | (Note1)              | 11,598 (USD419 thousand)  | -                | -               | 11,598 (USD419 thousand)   | 5.00%                   | 5.00%                           | (Note 4)                                     | (Note 4)                            | (Note 4)            | -  |

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of December 31, 2021 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 315,390<br>(USD10,735 thousand and RMB4,200 thousand)            | 315,390<br>(USD10,735 thousand and RMB4,200 thousand)        | 3,153,666                 |

Note1: Indirectly investment in Mainland China through companies registered in the third region.

Note2: The amounts of New Taiwan Dollars were exchanged by the rates at the reporting date.

Note3: The recognition of investment profit and loss of Shanghai Shan Tong was based on the financial report which was reviewed by Taiwan accountants. The remaining invested companies did not use the equity method to invest, so there was no profit or loss recognized in this period.

Note4: Indirectly investment in Mainland China through Chung Loong Paper Holdings Limited.

Note5: The amounts of New Taiwan Dollars were exchange by the closing rates on the reporting date.

Note6: The amounts of New Taiwan Dollars were exchange by the average rates on the reporting date.

Note7: Shanghai Shan Tong performed capital reduction RMB32,000 thousand in 2018, and Shan Loong International received capital reduction RMB19,200 thousand. As of the reporting date, the funds have not come back to Taiwan yet.

Note8: Indirectly investment in Mainland China through Chung Loong Paper Holdings Limited. These companies had been disposed in previous years. As of the reporting date, the investment amounts have not been repatriated yet.

(iii) Significant transactions: None

(d) Major shareholders:

Unit: shares

| Shareholder's Name  | Shareholding | Shares     | Percentage |
|---|--------------|------------|------------|
| Cheng Loong Corporation   |              | 12,690,010 | 9.24 %     |
| CTBC comprehensive trust account for employees of Shan-Loong Transportation |              | 8,602,899  | 6.26 %     |
| Shine Far Co., Ltd.   |              | 8,367,944  | 6.09 %     |

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**SHAN-LOONG TRANSPORTATION CO., LTD. AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(14) Segment information:**

(a) General information

The Group has two reportable segments: freight segment and gas station segment. The reportable segments are the Group's strategic divisions. They offer different products and services, and are managed separately because they require different marketing strategies. Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance.

- (i) Segment revenues included revenues from external customers and revenues from intersegment sales and transfers, which is pricing based on the market value.
- (ii) Operating segment profit or loss is measured based on profit or loss before tax and used as the basis for performance evaluation.
- (iii) The accounting policies of the operating segments are the same as those described in the significant accounting policies as stated in note (4).

(b) Information about reportable segments and their measurement and reconciliation

The Group's operation segment information and reconciliation are as follows:

|                                  | 2021                |                        |                  |                                   |                      |
|----------------------------------|---------------------|------------------------|------------------|-----------------------------------|----------------------|
|                                  | Freight<br>segment  | Gas station<br>segment | Others           | Reconciliation<br>and elimination | Total                |
| <b>Revenues:</b>                 |                     |                        |                  |                                   |                      |
| Revenues from external customers | \$ 3,898,205        | 13,155,382             | 1,758,576        | -                                 | 18,812,163           |
| Intersegment revenues            | -                   | 249,420                | 183,750          | (433,170)                         | -                    |
| Total revenues                   | <u>\$ 3,898,205</u> | <u>13,404,802</u>      | <u>1,942,326</u> | <u>(433,170)</u>                  | <u>18,812,163</u>    |
| Reportable segment profit (loss) | <u>\$ 194,089</u>   | <u>376,449</u>         | <u>154,234</u>   | <u>(210,705)</u>                  | <u>514,067</u>       |
| Depreciation                     | <u>\$ 189,889</u>   | <u>228,189</u>         | <u>74,427</u>    | <u>(1,482)</u>                    | <u>491,023</u>       |
| Reportable segment assets        |                     |                        |                  |                                   | <u>\$ 10,353,197</u> |
|                                  |                     |                        |                  |                                   |                      |
|                                  | 2020                |                        |                  |                                   |                      |
|                                  | Freight<br>segment  | Gas station<br>segment | Others           | Reconciliation<br>and elimination | Total                |
| <b>Revenues:</b>                 |                     |                        |                  |                                   |                      |
| Revenues from external customers | \$ 3,861,301        | 10,534,961             | 1,559,238        | -                                 | 15,955,500           |
| Intersegment revenues            | -                   | 200,937                | 104,367          | (305,304)                         | -                    |
| Total revenues                   | <u>\$ 3,861,301</u> | <u>10,735,898</u>      | <u>1,663,605</u> | <u>(305,304)</u>                  | <u>15,955,500</u>    |
| Reportable segment profit (loss) | <u>\$ 268,457</u>   | <u>234,888</u>         | <u>100,801</u>   | <u>(141,005)</u>                  | <u>463,141</u>       |
| Depreciation                     | <u>\$ 202,196</u>   | <u>221,326</u>         | <u>69,431</u>    | <u>-</u>                          | <u>492,953</u>       |
| Reportable segment assets        |                     |                        |                  |                                   | <u>\$ 10,042,999</u> |

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(c) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

(i) Revenue from external customers:

| <u>Geographical information</u> | <u>2021</u>          | <u>2020</u>       |
|---------------------------------|----------------------|-------------------|
| Taiwan                          | \$ 18,563,000        | 15,689,572        |
| China                           | 8                    | 37,213            |
| Vietnam                         | 249,155              | 228,715           |
|                                 | <u>\$ 18,812,163</u> | <u>15,955,500</u> |

(ii) Non-current asset:

| <u>Geographical information</u> | <u>December 31,<br/>2021</u> | <u>December 31,<br/>2020</u> |
|---------------------------------|------------------------------|------------------------------|
| Taiwan                          | \$ 4,919,031                 | 5,252,836                    |
| China                           | 1,457                        | 852                          |
| Vietnam                         | 10,829                       | 11,968                       |
|                                 | <u>\$ 4,931,317</u>          | <u>5,265,656</u>             |

Non-current assets include property, plant and equipment, right-of-use assets, intangible assets and other assets, excluding financial instruments and deferred tax assets.

(d) Information about major customers

The revenues from transactions with a single external customer amount to 10 percent or more of the operating revenues in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020, are as follows:

|   | <u>2021</u>         | <u>2020</u>      |
|---|---------------------|------------------|
| A customer of freight segment and gas station segment | <u>\$ 2,004,040</u> | <u>1,817,126</u> |