

Stock Code: 2616

Annual Report Inquiry URL:

Market Observation Post System <http://mops.twse.com.tw/>

Company Website <http://www.slc.com.tw/>

Shan-Loong Transportation Co., Ltd.

2022 Annual Report

Shan-Loong Transportation Co., Ltd.
SHAN-LOONG TRANSPORTION CO., LTD

Date of Publication: May 30, 2023

I. Name, job title and contact phone number and email of the Company's spokesperson and acting spokesperson

Spokesperson's name: Lan-Hui Yu
Title: Vice Chairman
Telephone: (02)2959-9611
Email: s7137109@slc.com.tw

Acting Spokesperson Name: Hsiao, Wei-Teng
Title: Chief Operating Officer
Telephone: (02)2959-9611
Email: shue2209017@slc.com.tw

II. Addresses and Phone Numbers of Corporate Headquarter, Subsidiaries, and Plants

General Management Office
2F, No. 1-2, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City
Telephone: (02)2959-9611 Fax: (02)2959-9441

Eastern Area Operations Office
No.1, Ziqiang Road, Su'ao Township, Yilan County
Telephone: (03)990-8582 Fax: (03)990-8585

Northern Area Operations Office
No. 2-10, Chaoyin Road, Beigang Village, Daoyuan District, Taoyuan City
Telephone: (03)386-8833 Fax: (03)386-6375

Central Area Operations Office
No. 568, Zili Rd., Wuqi Dist., Taichung City
Telephone: (04)2639-0283 Fax: (04)2639-8192

Mailiao Operations Office
No. 222-24, Hou'an Road, Hou'an Village, Mailiao Township, Yunlin County
Telephone: (05)691-0283 Fax: (05)691-0631

Southern Area Operations Office
No. 26-3, Yanhai 3rd Rd., Fengmingli, Xiaogang Dist., Kaohsiung City
Telephone: (07)871-6691~5 Fax: (07)871-7958

For gas station locations, please refer to the "II Company Profile".

III. Name, address, website, and telephone of the stock transfer handling institution

Name: Shan-Loong Transportation Co., Ltd. Stock Affairs Division
2F, No. 3, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City
Website: <http://www.slc.com.tw/>
Telephone: (02)2222-5131 extension 260-265

IV. Names of certified public accountants, address, website, and telephone number of the accounting firm auditing the Company's latest financial report:

Certified Public Accountant Name: Lo, Jui-Lan and Au, Yiu Kwan
CPA Firm: KPMG Taiwan
Address: 68F., Taipei 101 Tower, No. 7, Sec. 5., Xinyi Road, Taipei City
Website: <http://www.kpmg.com.tw/>
Telephone: (02)8101-6666

V. Overseas Listing: None

VI. Website:

[http : //www.slc.com.tw/](http://www.slc.com.tw/)

Table of Contents

Chapter 1. Letter to Shareholders.....	3
Chapter 2. Company Profile	5
Chapter 3. Corporate Governance Report	11
I. Organization	
II. Information on the Company's Directors, President, Vice Presidents, Associate Managers, and the Supervisors of all the Company's Divisions and Branch Units	
III. Implementation of Corporate Governance	
IV. Information Regarding the Company's Audit Fee and Independence	
V. Replacement of CPA	
VI. The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm	
VII. Equity transfer or changes to equity pledge of directors, managerial officers, or shareholders holding more than 10% of company shares	
VIII. Information on Concerned Relationship of Top Ten Major Shareholders	
IX. Consolidated Shareholding Percentage	
Chapter 4. Capital Overview.....	55
I. Capital and Shares	
II. Status of Corporate Bonds	
III. Preferred Stock, GDR, Employee Stock Options Certifications, New Shares of Restricted Employee Rights, Mergers and Acquisitions or New Shares Issued by Other Companies	
IV. Implementation of capital utilization plans:	
Chapter 5. Operations Overview.....	61
I. Business Activities	
II. Market and Sales Overview	
III. Employee Profile	
IV. Environmental Protection Expenditures	
V. Protective Measures for Working Environment and Personal Safety of Employees	
VI. Labor Relations	
VII. Information Security Management	

VIII. Important Contract

Chapter 6. Financial Summary.....	83
I. Abbreviated Balance Sheets and Income Statements, Name of CPA and Auditing Opinion for the Past Five Fiscal Years	
II. Financial analysis in the most recent five years	
III. Recent Year Audit Committee's Review Report	
IV. Financial Report of the Most Recent Year	
V. The Parent Company-only Financial Statements for the Most Recent Fiscal Year, Certified by the CPA	
VI. The Company's Disclosure on the Financial Impact to the Company If the Company and Its Affiliated Companies have Incurred any Financial Difficulties	
Chapter 7. Financial Status and Operating Results Review and Risk Matters.....	92
I. Financial Status	
II. Financial Performance	
III. Analysis of Cash Flow	
IV. Major Capital Expenditures and Impact on Financial and Business in the most recent year:	
V. Investment policy in the past year, the main reasons for profit/loss, improvement plan, and investment plan for the upcoming fiscal year:	
VI. Risk Analysis and Assessment for the Most Recent Fiscal Year and as of the Publication Date of the Annual Report	
VII. Other important items:	
Chapter 8. Special Disclosure.....	97
I. Summary of Affiliated Companies	
II. Handling of Private Placement Securities in the Most Recent Year	
III. Holding or Disposal of Shares in the Company by the Company's Subsidiaries during the Most Recent Fiscal Year or the Current Fiscal Year up to the Publication Date of the Annual Report	
IV. Other Necessary Supplementary Information	
Chapter 9. Article 36, paragraph 3, subparagraph 2 of the Act "any matter which has had a significant impact on shareholders rights or the price for the securities"	256

Chapter 1. Letter to Shareholders

Dear Shareholders,

In 2022, the global economy gradually emerged from the haze of "novel coronavirus pneumonia". In the first half of the year, China adhered to the Zero-COVID policy of closing ports for several months under the epidemic. After the ban was lifted in the second half of the year, the main problem was inventory destocking. The cabin availabilities were no longer tight, and oil prices continued to remain at a high point. The overall operating conditions were quite severe, but with the efforts of all employees and partners, the annual performance remained stable.

The consolidated operating results of the Company and its subsidiaries for year 2022 are reported as follows:

Transport: The consolidated revenue in 2022 was NT\$4,768.2 million (the same below), a decrease of NT\$888.58 million and a 15.71% decrease from NT\$5,656.78 million in 2021.

Oil products: The consolidated revenue in 2022 was NT\$13.75056 billion (the same below), an increase of NT\$595.18 million and a 4.52% increase from NT\$13.15538 billion in 2021.

In 2022, the overall consolidated revenue was NT\$18.51876 billion, which is a decrease of NT\$293.4 million and a 1.56% decrease from NT\$18.81216 billion in 2021.

The annual after-tax net profit reached to NT\$297.66 million, and the after-tax earnings per share (EPS) reached to NT\$2.13 per share.

Looking ahead to 2023, the end of inventory destocking is approaching, and with the gradual release of border controls in many countries, Shan-Loong will continue to consolidate its core operating foundation and create a new outlook with innovative and digital new business entities and move towards another prospective cycle.

In Thousands of New Taiwan Dollars

	2022	2021	Increase (Decrease) Amount	Increase (decrease) %
Operating revenue	18,518,763	18,812,163	(293,400)	(1.56)
Operating profit	1,309,920	1,410,146	(100,226)	(7.11)
Net Profit After Tax	297,659	424,560	(127,901)	(30.13)

Item		2022	2021
Financial structure	Debt Asset Ratio (%)	48.76	47.29
	Long-term Capital to Fixed Assets Ratio (%)	200.91	190.02
Solvency	Current ratio (%)	117.24	82.06
	Quick Ratio (%)	99.64	74.37
Profitability	Return on assets (%)	3.25	4.41
	Return on Equity (%)	5.68	7.91
	Net profit ratio (%)	1.61	2.26
	Basic earnings per share (NT\$)	2.13	3.06

We hereby present outlines of the Company's annual Business Plan for 2023 as follows:

(I) All-round revenue growth:

The establishment of an industrial full self-service gas station ensures the leading position in the diesel market, grabbing into existing and new large-scale transportation bids, coupled with the simultaneous focus of shipping, warehousing and logistics on all-in-one development business for large group customers, and the overall revenue will enter a higher scale.

(II) The most efficient and effective way to operate:

Horizontal integration and reduction of supplier quantity, combined with the introduction of a new management system in each division, reduce excessive operating costs and redundant expenses, so that human resources can be used most efficiently to achieve the highest per capita output value.

(III) Creating a new cycle of benefits:

Vertical downward rooting to the supply chain, for the supplier to the vehicle as the starting point of the surrounding demand, such as vehicles, diesel, warranty, tires and so on. can contribute to the additional economic benefits, strengthen the link of cooperation.

(IV) Asset activation and self-ownership:

Utilize and create the utilization value and non-operating income of idle assets, replace and purchase new more efficient equipment to save energy and reduce maintenance costs, and replace the rental cost of leased assets with the interest expense of purchased assets to achieve the goal of cost assetization.

(V) Informatization with digitalization in real-time management:

The introduction of the new ERP is complemented by the management system of each business unit and the quantitative management indicators, so that the core operation team can grasp the most real-time operational performance, provide analysis of various data to help the core team make the most correct decision policy, and fully control the company's operation.

Finally, I would like to sincerely thank all shareholders for their long-term support and encouragement. I wish you all healthy, safe and all the best!

Sincerely

Chairman

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned to the right of the word 'Chairman'.

Chapter 2. Company Profile

I. Date of establishment: 6 April 1976.

Location of Gas Stations

Area	Station	Address	Telephone
Northern Area	Chongqing Station	No. 456 Chongqing Road, Hualien City	03-8331482
Northern Area	Jichang Station	No. 121, Zhongxing Rd., Ji'an Township, Hualien County	03-8546115
Northern Area	Fuxing Station	No. 259, Sec. 3, Chunjing Rd., Luodong Township, Yilan County	03-9544677
Northern Area	Longde Station	No. 1-1, Ziqiang Rd., Su'ao Township, Yilan County	03-9909633
Northern Area	Fuxing Station	No. 252, Sec. 3, Wujie Rd., Wujie Township, Yilan County	03-9605494
Northern Area	Wanda Station	No. 207, Wanda Rd., Taipei City	02-23375690
Northern Area	Huazhong Station	No. 388, Wanda Rd., Taipei City	02-23378460
Northern Area	Guangxing Station	No. 776, Jianguo Rd., Bade Dist., Taoyuan City	03-3712497
Northern Area	Bade Station	No. 669, Guangfu Rd., Bade Dist., Taoyuan City	03-3664565
Northern Area	Dayuan Station	No. 79, Minsheng Rd., Dayuan Dist., Taoyuan City	03-3850738
Northern Area	Daxi Station	No. 105, Yongchang Rd., Daxi Dist., Taoyuan City	03-3074683
Northern Area	Puding Station	No. 191, Sec. 2, Puding Rd., Daxi Dist., Taoyuan City	03-3070668
Northern Area	Zhongli Station	No. 5-3, Jilin Rd., Zhongli Dist., Taoyuan City	03-4617151
Northern Area	Longxing Station	No. 693, Longxing Rd., Zhongli Dist., Taoyuan City	03-4375828
Northern Area	Fufeng Station	No. 1110 Kuaisu Road, Pingzhen Dist., Taoyuan City	03-4598126
Northern Area	Luzhu Station	No. 532, Sec. 2, Nankan Rd., Luzhu Dist., Taoyuan City	03-3229609
Northern Area	Guanyin Station	No. 258, Sec. Guangxing, Binhai Rd., Guanyin Dist., Taoyuan City	03-4736060
Northern Area	Linkou Station	No. 553, Sec. 2, Wenhua 2nd Rd., Linkou Dist., New Taipei City	02-86011805
Northern Area	Yingge Station	No. 28 Yonghe 2nd Street, Yingge Dist., New Taipei City	02-26709799
Northern Area	Xinglong Station	No. 628, Sec. 5, Chongxin Rd., Sanchong Dist., New Taipei City	02-29995499
Northern Area	Futai Station	No. 76, Sec. 1, Chengtai Rd., Wugu Dist., New Taipei City	02-22953510
Northern Area	Guanxi Station	No. 138-2, Shiliuzhang, Dongguangli, Guanxi Township, Hsinchu County	03-5876713
Central Area	Dadu Station	No. 247, Sec. 3, Shatian Rd., Dadu Dist., Taichung City	04-26997315
Central Area	Dali Station	No. 71, Sec. 1, Guoguang Rd., Dali Dist., Taichung City	04-24078672
Central Area	Daya Station	No. 259, Sec. 4, Zhongqing Rd., Daya Dist., Taichung City	04-25689565
Central Area	Wuquan Station	No. 105, Wuquan Rd., West Dist., Taichung City	04-22027088

Area	Station	Address	Telephone
Central Area	Shalu Station	No. 600, Sec. 7, Xiangshang Rd., Shalu Dist., Taichung City	04-26366189
Central Area	Dongshi Station	No. 706, Sec. 6, Dongguan Rd., Dongshi Dist., Taichung City	04-25771655
Central Area	Dingnan Station	No. 536-32, Zhongshan Rd., Qingshui Dist., Taichung City	04-26220166
Central Area	Wuqi Station	No. 725, Sec. 4, Gangbu Rd., Qingshui Dist., Taichung City	04-26276328
Central Area	Qingshui Station	No. 286, Sec. 6, Lingang Rd., Qingshui Dist., Taichung City	04-26276328
Central Area	Taichung Station	No. 571, Zili Rd., Wuqi Dist., Taichung City	04-26307220
Central Area	Zhukeng Station	No. 38, Sec. 1, Zhonghua Rd., Longjing Dist., Taichung City	04-26359009
Central Area	Beitun Station	No. 211, Beitun Rd., Beitun Dist., Taichung City	04-22334437
Central Area	Zhongxing Station	No. 386, Shengfu Rd., Caotun Township, Nantou County	049-2371040
Central Area	Caotun Station	No. 642, Bo'ai Rd., Caotun Township, Nantou County	049-2304685
Central Area	Puli Station	No. 172, Sec. 4, Zhongshan Rd., Puli Township, Nantou County	049-2915022
Central Area	Pingshan Station	No. 16, Nangang 3rd Rd., Nantou City, Nantou County	049-2252513
Central Area	Tongluo Station	No. 35-1, Zhuwei, Tongluo Township, Miaoli County	037-980809
Central Area	Miaoli Station	No. 1-1, Zhonglong 1st Rd., Tongluo Township, Miaoli County	037-234529
Central Area	Toufen Station	No. 25, Sec. 1, Yongzhen Rd., Toufen City, Miaoli County	037-613101
Central Area	Wenshan Station	Miaoli County Miaoli City to Highway 596 No. 1	037-363901
Central Area	Mailiao Station	No. 651, Gongye Rd., Mailiao Township, Yunlin County	05-6910118
Central Area	Linnei Station	No. 3-5 Dapu Rd., Linnei Township, Yunlin County	05-5890850
Central Area	Guilin Station	No. 399, Sec. 1 Zhongshan Rd., Yuanlin Township, Changhua County	04-8008080
Central Area	Zhangxing Station	No. 928, Sec. 2, Zhangshui Rd., Pitou Township, Changhua County	04-8922011
Central Area	Changhua Station	No. 66, Sec. 1, Zhongshan Rd., Changhua City, Changhua County	04-7120616
Central Area	Quanxing Station	No. 262-2, Xinggong Rd., Hemei Township, Changhua County	04-7978633
Central Area	Baozhong Station	No. 3, Zhongzheng Rd., Zhongzheng Village, Baozhong Township, Yunlin County	05-6973626
Southern Area	Liujia Station	No. 21, Guizigang, Guigang Village, Liujia Dist., Tainan City	06-6988940
Southern Area	Yongkang Station	No. 995-1, Zhonghua Rd., Yongkang Dist., Tainan City	06-2818655
Southern Area	Anding Station	No. 304-8, Sucuo, Anding Dist., Tainan City	06-5976971
Southern Area	Shanhua Station	No. 361, Xiaoxinying, Shanhua Dist., Tainan City	06-5115048
Southern Area	Gaoren Station	No. 135, Sec. 2, Zhongzheng S. Rd., Guiren Dist., Tainan City	06-2782899
Southern Area	Jiafeng Station	No. 770, Fuxing Rd., Xinying Dist., Tainan City	06-6528797
Southern Area	Qingxi Station	No. 451, Sec. 2, Hesheng Rd., Pingtung City	08-7521685
Southern Area	Zhutian Station	No. 15, Zhongyi Rd., Zhutian Township, Pingtung County	08-7712688

Area	Station	Address	Telephone
Southern Area	Fengming Station	No. 27, Liancheng Rd., Zhutian Township, Pingtung County	08-7896225
Southern Area	Zhongshan Station	No. 33, Sec. 4, Zhongshan Rd., Fangshan Township, Pingtung County	08-8761533
Southern Area	Donggang Station	No. 75-49, Chuantou Rd., Donggang Township, Pingtung County	08-8006178
Southern Area	Chaozhou Station	No. 583, Siwei Rd., Chaozhou Township, Pingtung County	08-7892222
Southern Area	Kaohsiung Station	No. 26-3, Yanhai 3rd Rd., Xiaogang Dist., Kaohsiung City	07-8716691
Southern Area	Dafa Station	No. 201, Daliao Rd., Daliao Dist., Kaohsiung City	07-7822196
Southern Area	Renwu Station	No. 153, Renlin Rd., Renwu Dist., Kaohsiung City	07-3742562
Southern Area	Benzhou Station	No. 11, Benzhou Rd., Gangshan Dist., Kaohsiung City	07-9585482
Southern Area	Military Academy Station	No. 100, Shitan Rd., Gangshan Dist., Kaohsiung City	07-6253965
Southern Area	Gangshan Station	No. 500, Gangyan Rd., Gangshan Dist., Kaohsiung City	07-6163078
Southern Area	Linyuan Station	No. 1038, Sec. 2, Fenglin Rd., Linyuan Dist., Kaohsiung City	07-6415596
Southern Area	Xiongyuan Station	No. 1-29 Zhongmen Road, Linyuan District, Kaohsiung City	07-6415389
Southern Area	Puya Station	No. 69, Ziqi Rd., Lingya Dist., Kaohsiung City	07-7610048
Southern Area	Gangshan Station	No. 683, Anzhao Rd., Yanchao Dist., Kaohsiung City	07-6163078
Southern Area	Yanchao Station	No. 730, Anzhao Rd., Yanchao Dist., Kaohsiung City	07-9585623
Southern Area	Yongfa Station	No. 160, Yancheng Avenue, Mituo Dist., Kaohsiung City	07-6106682
Southern Area	Dalin Station	No. 1-8, Linzitou, Dalin Township, Chiayi County	05-2951325
Southern Area	Jiatai Station	No. 508, Sec. 2, Beigang Rd., Taibao City, Chiayi County	05-3005199
Southern Area	Jiayi Station	No. 136, Sec. 1, Shixian Rd., Beixin All., West Dist., Chiayi City	05-2911692
Southern Area	Minxiong Station	No. 27, Minxin Rd., Minxiong Township, Chiayi County	05-2260423

II. Company History

- 1976 Trump Transportation Co., Ltd., the Company's predecessor, was founded.
- 1982 The Company changed its name into Shan-Loong Transportation Co., Ltd., mainly engaged in container transportation and bulk cargo business.
- 1984 Taichung Plant, which engaged in the transportation and automobile repair business, was established in Taichung Harbor Related Industrial Park, covering an area of 14,869 square meters.
- 1987 Kaohsiung Plant, which engaged in the transportation and automobile repair business, was established in Xiaogang District, Kaohsiung, covering an area of 15,950 square meters.
- 1990 Additional plant land in Miaoli Zhongxing Industrial Park was acquired, covering an area of 9,547 square meters.
- 1991 Shares were publicly offered.

- 1993 Dayuan Plant, which engaged in the transportation business, was established in Taoyuan Dayuan Industrial Park, covering an area of 15,838 square meters.
 - 1994 Passed ISO 9002 International Quality Management System certification.
 - 1996 Highly rated by SQAS, the European Road Transport Safety and Quality Assessment System.
 - 1997 Shares were listed in TWSE.
 - 1998 The Company's first gas station was established in Kaohsiung Plant.
 - 1999 Zhongli Plant was established, covering an area of 15,384 square meters. Gas stations and vehicle supervision and inspection business were established in Zhongyi Plant and Miaoli Plant, separately.
 - 2001 Gas stations were established in Taichung Plant and Pingdong Chaozhou, respectively.
 - 2002 A logistics warehouse was established in Taoyuan County. Gas stations were respectively established in Yilan, Luodong, Yingge, Dayuan, Guanyin, Houli, Daya, Longjing, Zhukeng, Caotun, Dalin and Zhutian. Passed ISO9001: 2000 Rev. certification. Annual turnover reached NT \$3 billion.
 - 2003 Passed ISO 14001, International Environmental Management System certification. Annual revenue reached NT \$4.9 billion.
 - 2004 Shanghai Shantong Storage and Transportation Co., Ltd. Shan-Loong Customs Reporting Co., Ltd changed its name into Shan-Loong International & Customs Broker Co., Ltd. Shan-Loong Quarterly was published. Annual revenue reached NT \$6.6 billion. The Company's first domestic convertible corporate bonds of NT \$300 million was issued.
 - 2005 Passed ISO14001: 2004 Revision certification. Annual revenue reached NT \$8.6 billion.
 - 2006 Passed OHSAS18001 Occupational Health and Safety Assessment System certification. A GPS Transportation Management System was established. Rebanded the gas stations. Gas stations amounted to 55. Annual turnover reached NT \$9.9 billion.
 - 2007 The Company's second domestic convertible corporate bonds of NT \$300 million and chip membership cards of gas stations were issued. Annual turnover reached NT \$10.9 billion.
 - 2008 Introduced TPM (Total Production Management) system and established E-Learning (Electronic Learning) system. Engaged in the Ministry of Economy's "Intelligent Unmanned Store Construction and Expansion Plan" as a sponsored vendor.
- Engaged in the TTQS (Taiwan Training Quality System) guidance and human resource upgrading individual program subsidy. Annual turnover reached NT \$11.8 billion.

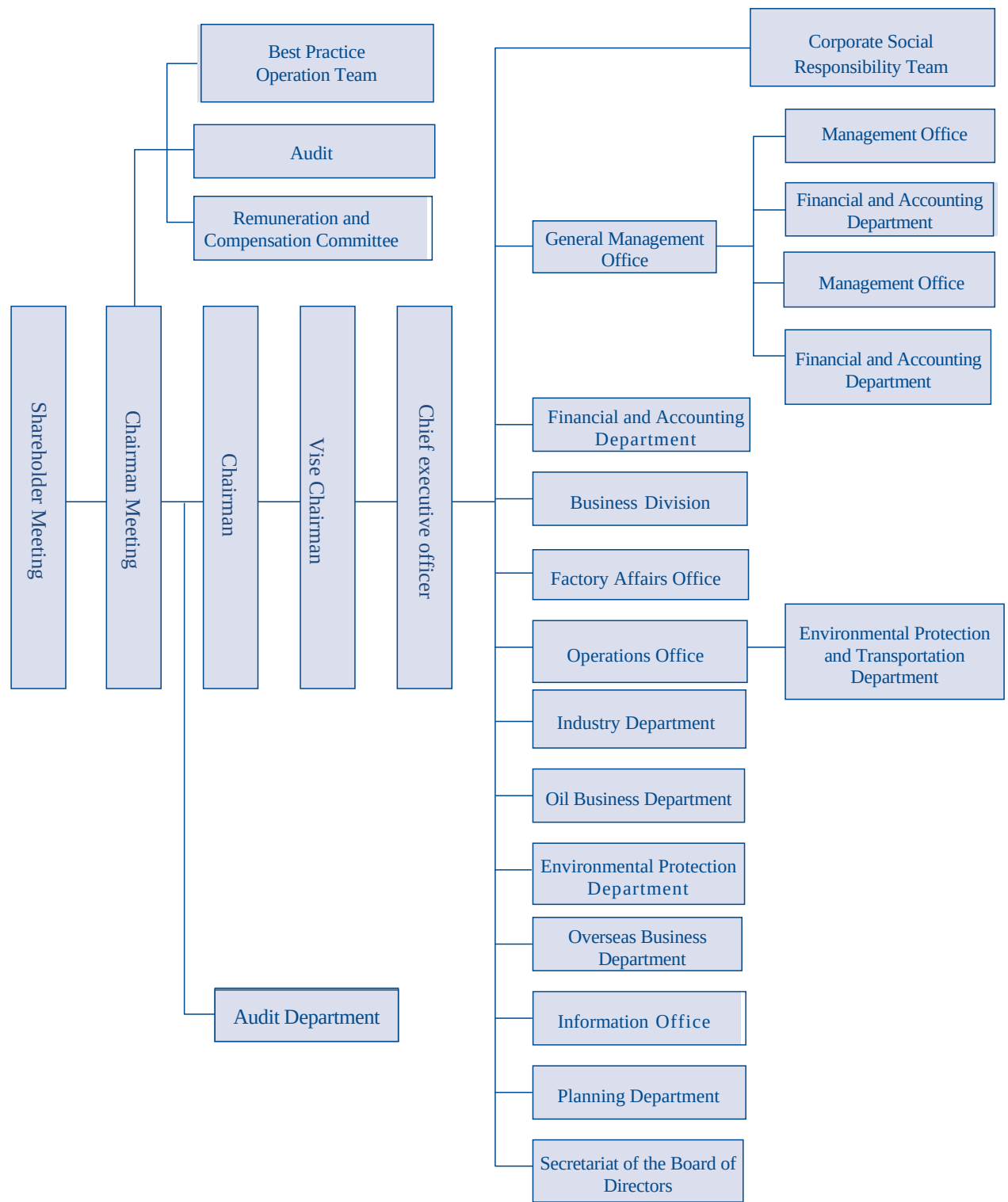
- Passed and highly rated by Taiwan Chemical SQAS Cargo Container and Flat Cart Appraisal System (82%).
- 2009 Passed OHSAS 18001:2007 Rev. and ISO 9001:2008 Rev. certification.
- Received a \$1 million subsidy from the Works Council Vocational Training Bureau's "Immediate Charge Program". Introduced ECTS (Enterprise Functional Training System). The E-Learning system was awarded the "Learning& Service Dual-A Certification" of the Digital Collection Quality Assurance Center and received government subsidy .
- 2010 Passed and highly rated by the Formosa Plastic SQAS Chemical Tank Car Assessment System (88%). A daily checkout operation system was established. Mailiao Operation Location and gas station were established.
- Application for the "Enterprise Deepening Digital Application Textbook Project Subsidy Plan" through the Small and Medium Enterprises Branch of the Ministry of Economic Affairs was approved.
- 2011 Awarded the Silver Medal in the TTQS Training Quality Review for Year 2011
- Passed the SQAS assessment for Year 2011.
- Awarded as the Insured Unit with the Best Performance in Convenience Services. Shan-Loong adopted the online Declaration of Data Change in March 2007, with an E-rate of 99.74%, ranking among the top three insured units with the highest E-rate.
- 2012 The first electronic receipt was issued by Shan-loong gas station in the industry, setting a new model for energy saving and carbon reduction.
- Obtained the Healthy Workplace Autonomous Certification - Hazard Control Mark and the "Premium Healthy Workplace" Award.
- 2013 Completed the first Corporate Social Responsibility Report.
- Self-refueling service by swiping cards was introduced in Shulin Station, the Company's first self-refueling station.
- 2014 Donated the second-hand books to primary schools and established a Green Paper Library to promote the knowledge. Passed the SQAS assessment consecutively.
- Diversified business was launched in Shan-Loong gas stations and Lingya Convenience Store was officially opened.
- 2015 The Company established Shantong Oil Products Co., Ltd, and the first overseas gas station was built in Anhui.
- Shan-Loong Gas Station won the 3rd place in the 12th Service Industry Award of Weekly 2015.
- 2016 Passed the "RSQAS" Road Safety Quality and "AEO" Quality Safety Enterprise System certification.

- 2017 Acquired a land in Haigan, Daoyuan District, Taoyuan City to build a logistics park.
- 2018 Won 89th place in service industry in the World's magazine's top 2000 Corporate Survey.
- Won the "Bronze Medal" in TTQS Talent Development Quality Management Review for Year 2018.
- 2019 Passed three-year-calibration with Safety Certified Quality Enterprise (AEO).
- Passed Annual Assessment Road Transport Safety Quality Assessment System (SQAS) of Formosa Plastics General Management Office. Honored by 1111 Job Bank as a superior place to work.
- Ranked 7th place in the warehousing and cargo transportation industry of "Top 5000 Large Enterprises in Taiwan". 2020 Completed ISO 45001: 2018 Migration Arrangement.
- Donated 5 Fire fighting clothes and trousers each to the Yunlin County Fire Department.
- Awarded the TFCA Toxicity Prevention Organization Live Rehearsal Excellence Award and Honor Award. Awarded with the Excellent Customs-declaration Achievement.
- The Lab of Environment Protection Department passed and obtained the Permit to Competence Mechanism of Environmental testing and measuring.
- 2021 Honored by the National Taxation Bureau for presenting the Achievement Excellent Operator Award.
- Awarded the "2021 Authorities (Institution) and Manufacturers Who Employ Indigenous people Excessively Award" Special Merit Award. Jiatai Station, Shan-Loong's first fully self-service gas station, was put into operation in Southern Area.
- Plant in Taichung Logistics Park (Beidi Automobile Plant) was relocated to Zili Road, Wuqi District and renamed as "Taichung Second Plant". Minxiong gas station was established and put into operation. At present, the total number of gas stations in Taiwan has reached 80.
- 2022 ISO management system revision and re-examination certification passed.
- Awarded the "2022 annual excessive use of Aboriginal institutions (institutions) and manufacturers". Open Xiongyuan Gas Station under the operation of the Southern District.
- Open Baozhong Gas Station under the operation of the Central District.

Chapter 3. Corporate Governance Report

I. Organization

(I) Organization Chart



(II) Business Activities of Main Divisions

Head Office of Operations	1. Plans and executes affairs related to human resources, education and training. 2. Drafting and reviewing contract documents, handling litigation and non-litigation cases, providing legal support for business decisions, and providing legal advice or opinions of various departments. 3. Revision and maintenance of company rules and regulations. 4. Comprehensive administration of public affairs, public safety and the bidding of administrative organs of each county and city (report). 5. Summarize the planning, execution and supervision of various asset management, etc. 6. Supervises plants and gas stations to carry out labor safety and health affairs, and establishes a company-wide safety and health prevention system. 7. Formulates the company's quality and environment health policies and improves plans and emergency handling standards for plants and gas stations. 8. Perform internal/irregular safety audits and coaching. 9. Promote health management, on-site services and establish occupational disease prevention.
Financial and Accounting Department	1. Accounting operation planning and execution, financial statement preparation and analysis, budget analysis and reporting, tax planning and related project operations. 2. Coordinates the planning and management of the source and use of funds as well as the handling of share-related affairs.
Business Division	Company business development, market research and customer relationship maintenance.
Factory Affairs Office	1. Integrate and find the land where the company's business can be invested for asset integration activation. 2. Establish and introduce a new self-service business model for petrol stations to expand market share.
Operations Office	1. Reorganization and revision of the petrol station and operation management system. 2. Planning, designing, tracking and reviewing the operational performance indicators of oil stations and operations.
Industry Department	Green transport for waste promotes environmental protection services.
Oil Business Department	1. Inventory control of oil products imported and sold at oil stations, station service management and staff allocation arrangement management. 2. Oil sales and car wash services.
Environmental Protection Department	1. Perform environmental testing projects on behalf of the Environmental Protection Agency. 2. Gas station equipment is regularly maintained. 3. Business pollution risk assessment and contingency treatment.
Overseas Business Department	1. In charge of the proposal of the business target and promote the supervision of the overseas business. 2. Tracks, evaluates and improves the performance of overseas business operations. 3. Assists, assesses and improves various management operations of overseas undertakings. 4. In charge of the business coordination of overseas companies with their parent company. 5. Learns and responses to important local financial laws and regulations of overseas companies. 6. Examines and evaluates overseas investment targets and new plant sites.
Information Office	1. Company information system/equipment planning and construction, database planning management and maintenance, and information system construction and integration. 2. Maintaining and defending the company's information security.
Planning Department	In charge of the planning and execution of the Company's marketing plans and team business, and provide improvement and advice.
Secretariat of Board of Directors	Related affairs of convening the meeting of the Board of Directors.

II. Information on the Company's Directors, President, Vice Presidents, Associate Managers, and the Supervisors of all the Company's Divisions and Branch Units

(I) Director

April 1, 2023

Position	Nationality/ Place of Incorporation	Name	Gender/Age	Date Elected	Term (Years)	Date First Elected	Shareholding When Elected		Shares Currently Held		Spouse & Minor Shareholding		Shareholding by nominee arrangement		Primary Work or Academic Experiences	Titles also held at the Company and other companies	Other Supervisors or Directors who are spouses or within the second degree of kinship			Remark
							Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Position	Name	Relationship	
Chairman	Republic of China	Jen-Hao Cheng	Male 41~50 years old	2020 05 29	3 Year	2014 06 26	4,328,876	3.15	4,328,876	3.15	—	—	—	—	Vice Chairman of Ta-Yuan Cogen Co., Ltd., Master of Commerce, Waseda University Graduate School, Japan	Chairman of Ko Loong Industry Co., Ltd.	Director	Su-Yun Cheng	Brother and Sister	None
																	Director	Chuan-Chuan Lu	Parent	
Vice Chairman	Republic of China	Lan-Hui Yu	Male 61~70 years old	2020 05 29	3 Year	2005 06 17	304,691	0.22	304,691	0.22	16,312	0.01	—	—	President of Shan-Loong Company Yung-Ta Institute	Shine Far Construction Co., Ltd. Director	None	None	None	None
Director	Republic of China	Cheng Loong Corporation. Representative: Shu-Yun Cheng	Female 41~50 years old	2020 05 29	3 Year	2020 05 29	12,690,010	9.24	12,690,010	9.24	—	—	—	—	Vice Chairman of Cheng Loong Corporation Waseda University Graduate School, Japan	Vice Chairman of Cheng Loong Corporation Director of GemTech Optoelectronics Corp.	Chairman	Jen-Hao Cheng	Brother and Sister	None
							—	—	—	—	—	—	—	—	Director	Chuan-Chuan Lu	Mother and daughter			
Director	Republic of China	Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu	Female 71~80 years old	2020 05 29	3 Year	2002 06 21	6,743,227	4.91	6,743,227	4.91	—	—	—	—	Ming Foong Plastic Co., Ltd. Chairman, Practice Specialist	Managing Director of Shine Far Construction Co., Ltd.	Chairman	Jen-Hao Cheng	Parent	None
							866,450	0.63	866,450	0.63	68,000	0.05	—	—	Director	Su-Yun Cheng	Mother and daughter			
Director	Republic of China	Representative of Shine Far Construction Co., Ltd.: Cheng Ken-Pei	Male 51~60 years old	2020 05 29	3 Year	2014 06 26	8,367,944	6.10	8,367,944	6.10	—	—	—	—	Deputy General Manager, Shan-Loong Transportation, Northrop University	Associate of Shan-Loong Company	None	None	None	None
							85,986	0.06	85,986	0.06	—	—	—	—						
Director	Republic of China	Yen-Ming Chen	Male 41~50 years old	2020 05 29	3 Year	2020 05 29	1,800,000	1.31	1,800,000	1.31	181,733	0.13	—	—	President of Chien Shing Harbour Service Co., Ltd. MBA, Columbia University	President of Chien Shing Harbour Service Co., Ltd.	None	None	None	None
Independent Director	Republic of China	Yao-Ming Huang	Male 61~70 years old	2020 05 29	3 Year	2017 06 22	—	—	—	—	—	—	—	National Taiwan University, Business Department, Accounting Division	Member of Audit Committee and Remuneration and Compensation Committee of the Company Retired Certified Public Accountant, KPMG	None	None	None	None	
Independent Director	Republic of China	Hsu-Feng Ho	Male 71~80 years old	2020 05 29	3 Year	2020 05 29	—	—	—	—	—	—	—	Vice President of Cheng Loong Corporation Chung Yuan Christian College of Science and Engineering	Member of Audit Committee and Remuneration and Compensation Committee of the Company	None	None	None	None	
Independent Director	Republic of China	Mao-Chun Wang	Male 71~80 years old	2020 05 29	3 Year	2017 06 22	50,506	0.04	50,506	0.04	—	—	—	—	Shan-Loong Transportation Co., Ltd.Company Deputy General Manager Taoyuan Municipal Zhong Li Commercial Senior High School	Member of Audit Committee and Remuneration and Compensation Committee of the Company	None	None	None	None

1. Disclosure of the professional qualifications of directors and supervisors and the information on independence of independent directors:

Criteria Name	Professional Qualification and Work Experience	Independence criteria	Number of Other Public Companies in Which the Individual Is Concurrently Serving as An Independent Director
Jen-Hao Cheng	1. With more than five years of business experience in commerce and corporate business — Vice Chairman of Ta-Yuan Cogen Co., Ltd. 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Lan-Hui Yu	1. More than 5 years working experience in business and company — General Manager of Shan-Loong Company 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Cheng Loong Corporation. Representative: Shu-Yun Cheng	1. More than 5 years working experience in business and company — Vice Chairman of Cheng Loong Corporation 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu	1. More than 5 years working experience in business and company — Chairman of Ming Fong Plastic Co., Ltd. 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Representative of Shine Far Construction Co., Ltd.: Cheng Ken-Pei	1. More than 5 years working experience in business and company — Deputy General Manager of Shan-Loong Company 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Yen-Ming Chen	1. More than 5 years working experience in business and company — General Manager of Chien Shing Harbour Service Co Ltd 2. Not been a person of any conditions defined in Article 30 of the Company Act.		
Yao-Ming Huang	1. Business, Accounting and Corporate Business Required Work Experience and National Examination Certificate for Accountants — Retired Accountant at Anhou Construction Company 2. Not been a person of any conditions defined in Article 30 of the Company Act.	1. I, my spouse, relatives within the second degree of kinship, etc., have not served as a director, supervisor or employee of the Company or its affiliated enterprises; 2. I, my spouse, relatives within the second degree of kinship, etc. (or in the name of others), do not hold the number and proportion of shares in the company; 3. not be a director, supervisor or employee of a company with which the Company has a particular relationship (as defined in Article 6 (1) (5) ~ (8) of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. The amount of remuneration received in the last 2 years for providing business, legal, financial, accounting and other services to the Company or its affiliated enterprises is 0.	

Hsu-Feng Ho	1. More than 5 years working experience in business and company — Deputy General Manager of Cheng Loong Corporation 2. Not been a person of any conditions defined in Article 30 of the Company Act.	1. I, my spouse, relatives within the second degree of kinship, etc., have not served as a director, supervisor or employee of the Company or its affiliated enterprises; 2. I, my spouse, relatives within the second degree of kinship, etc. (or in the name of others), do not hold shares in the company; 3. not be a director, supervisor or employee of a company with which the Company has a particular relationship (as defined in Article 6 (1) (5) ~ (8) of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. The amount of remuneration received in the last 2 years for providing business, legal, financial, accounting and other services to the Company or its affiliated enterprises is 0.	
Mao-Chun Wang	1. More than 5 years working experience in business and company — Deputy General Manager of Shan-Loong Company 2. Not been a person of any conditions defined in Article 30 of the Company Act.	1. I, my spouse, relatives within the second degree of kinship, etc., have not served as a director, supervisor or employee of the Company or its affiliated enterprises; 2. I, my spouse, relatives within the second degree of kinship, etc. (or in the name of others), do not hold the number and proportion of shares in the company (50,506 shares/0.04%); 3. not be a director, supervisor or employee of a company with which the Company has a particular relationship (as defined in Article 6 (1) (5) ~ (8) of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange); 4. The amount of remuneration received in the last 2 years for providing business, legal, financial, accounting and other services to the Company or its affiliated enterprises is 0.	

Table 1: Major shareholders of the institutional shareholders

April 1, 2023

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Cheng Loong Corporation	Sun Favorite Co., Ltd.	5.25%
	Fubon Life Insurance Co., Ltd.	4.50%
	Shine Far Construction Co., Ltd.	4.37%
	Wenjing Development Co., Ltd.	4.12%
	Jen Yun Co., Ltd.	4.07%
	Employee Welfare Committee of Cheng Loong Corporation	3.11%
	Shan-Loong Investment Co., Ltd.	2.87%
	Shine Far Co., Ltd.	2.46%
	Special ESOP account of Cheng Loong Corporation entrusted in CTBC Bank	2.26%
	Taipei Fubon Commercial Bank trust account held by employees of Cheng Loong Corporation	2.04%
Shine Far Construction Co., Ltd.	Chen Lu	26.49%
	Ai-Ling Chi	26.49%
	Su-Yun Cheng	15.00%
	Chuan-Chuan Lu	13.26%
	Chiao-Yun Cheng	10.27%
	Cheng-Lung Cheng	8.13%
	Wenjing Development Co., Ltd.	0.36%
Shine Far Co., Ltd.	Sun Favorite Co., Ltd.	52.81%
	Jen Yun Co., Ltd.	23.71%
	Shine Far Construction Co., Ltd.	17.23%
	Chuan-Chuan Lu	1.53%
	Hsing-Jui Li	1.00%
	Jen-Ai Chung	0.98%
	Shan-Loong Transportation Co., Ltd.	0.87%
	Tung-Han Tsai	0.59%
	Ai-Ling Chi	0.51%
	Ming-Chuan Hsieh	0.43%

Name of institutional shareholders	Major shareholders of the institutional shareholders	
Cheng Loong Investment Co., Ltd.	Cheng Loong Corporation	34.62%
	Shine Far Construction Co., Ltd.	13.85%
	Wenjing Development Co., Ltd.	12.31%
	Ming Fong Plastic Co., Ltd.	9.23%
	Shan-Loong Investment Co., Ltd.	9.23%
	Ko Loong Industrial Co., Ltd.	6.92%
	Shan-Loong Transportation Co., Ltd.	4.62%
	Sun Favorite Co., Ltd.	4.62%
	Jen Yun Co., Ltd.	4.62%
Sun Favorite Co., Ltd.	Ai-Ling Chi	22.39%
	Chen Lu	20.90%
	Chiao-Yun Cheng	17.53%
	Su-Yun Cheng	17.53%
	Cheng-Lung Cheng	12.24%
	Chuan-Chuan Lu	8.96%
	Jen Yun Co., Ltd.	0.45%

Table 2: Major Shareholders of Legal Entities in Table 1

Name of legal entity shareholder	Major shareholders of legal entity shareholder	
Shan-Loong Transportation Co., Ltd.	Cheng Loong Corporation	9.24%
	Chiung-Miao Yeh	6.98%
	Shine Far Co., Ltd	6.10%
	Shine Far Construction Co., Ltd.	4.91%
	Jen-Ming Cheng	4.77%
	Special ESOP account of Shan-Loong Transportation Co., Ltd entrusted in CTBC Bank	3.55%
	Cheng Loong Investment Co., Ltd.	3.55%
	Jen-Hao Cheng	3.15%
	Sun Favorite Co., Ltd.	1.39%
	Yen-Ming Chen	1.31%
Jen Yun Co., Ltd.	Chung Win Investments Limited	23.53%
	Chen Lu	14.12%
	Ai-Ling Chi	14.12%
	Su-Yun Cheng	14.12%
	Chuan-Chuan Lu	14.12%
	Chiao-Yun Cheng	11.76%
	Chu-Chun Hsiung	5.88%
	Cheng-Lung Cheng	2.35%
Wenjing Development Co., Ltd.	Cheng-Lung Cheng	46.32%
	Chen Lu	24.91%
	Su-Yun Cheng	16.04%
	Ai-Ling Chi	12.83%
Ming Fong Plastic Co., Ltd.	Cheng-Lung Cheng	19.53%
	Shine Far Construction Co., Ltd.	19.31%
	Chuan-Chuan Lu	13.91%
	Cheng Loong Corporation	8.14%
	Sun Favorite Co., Ltd.	4.64%
	Wen-Ming Cheng	4.13%
	Shine Far Co., Ltd	3.91%
	Chin-Chung Lin	3.57%
	Lu-Chu-Erh Lin	3.57%
	Hui-Chun Su	2.93%

Name of legal entity shareholder	Major shareholders of legal entity shareholder	
Ko Loong Industrial Co., Ltd.	Shan-Loong Transportation Co., Ltd.	20.92%
	Cheng Loong Corporation	12.94%
	Shine Far Construction Co., Ltd.	12.35%
	Tian-You Wang	2.94%
	Ai-Ling Chi	2.55%
	MERCURIES & ASSOCIATES, LTD.	2.36%
	Cheng-Lung Cheng	2.16%
	Min-Chun Gu	2.06%
	Chiao-Yun Cheng	1.76%
	Bo-Yao Ji	1.76%
Shan-Loong Investment Co., Ltd.	Shan-Loong Transportation Co., Ltd.	100.00%
Cheng Loong Corporation	Read the annual report on page 12.	
Sun Favorite Co., Ltd.		
Shine Far Construction Co., Ltd.		
Shine Far Co., Ltd		

(II) Information of the President, Vice President, associate, and the chiefs of various departments and branches

April 1, 2023

Position	Nationality	Name	Gender	Date Elected	Shareholding		Spouse's/Minor's Shareholding		Shareholding by nominee arrangement		Primary Work or Academic Experiences	Position Held with Other Companies	Managers who are Spouses or Within Two Degrees of Kinship			Remark
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Position	Name	Relationship	
President	Republic of China	Jen-Hao Cheng	Male	2021.09.16	4,328,876	3.15	—	—	—	—	Vice Chairman of Ta-Yuan Cogen Co., Ltd. Master of Commerce, Waseda University Graduate School, Japan	None	None	None	None	Note 2
Vice President	Republic of China	Chen-Te Wang	Male	2022.07.12	—	—	4,000	—	—	—	Vice President of the Company Department of Economics, Tunghai University	None	None	None	None	None
Vice President	Republic of China	Yi-Nuo Chen	Male	2022.07.12	—	—	—	—	—	—	Vice President of the Company EMBA, University of Aalto	None	None	None	None	None
Vice President	Republic of China	Kuo-Nan Tsai	Male	2022.09.14	1	—	—	—	—	—	Vice President of the Company Department of Business Administration, Chaoyang University of Technology	None	None	None	None	None
Chief Information Officer	Republic of China	Hung-Te Wen	Male	2022.09.30	—	—	—	—	—	—	Chief Information Officer of the Company, Binghamton University	None	None	None	None	None
Associate	Republic of China	Ken-Pei Cheng	Male	2020.12.01	85,986	0.06	—	—	—	—	Associate of the Company Northrop University	None	None	None	None	None
Oil Product Supervisor (Note 1)	Republic of China	Yung-Lung Lin	Male	2019.12.01	—	—	—	—	—	—	Manager and Associate Manager of the Company, Far East Engineering Specialty Electrical Department	None	None	None	None	None
Audit Director	Republic of China	Kun-Lin Wu	Male	2021.09.01	—	—	1	—	—	—	Manager of the Company Department of Industrial Management, Vanung University	None	None	None	None	None
Finance Manager	Republic of China	Wei-Teng Hsiao	Male	2021.11.11	—	—	—	—	—	—	Manager of the Company Department of Accounting, Tamkang University	None	None	None	None	None
Accounting Supervisor	Republic of China	Yu-Cheng Yao	Male	2021.11.11	—	—	—	—	—	—	Associate of the Company Department of Accounting Information, National Taichung University of Science and Technology	None	None	None	None	None

Note 1: Yung-Shuang Lin, the oil supervisor, retired in July 2022.

Note 2: In case of the President or equivalent (top manager) and the Chairman of the Board of Directors are the same person, be a couple or first degree kinship, the reasons, reasonableness, necessity and response measures shall be stated: to date, the Chairman of the board of directors and the President of the Company are the same person, which is due to operational needs of improving the efficiency of decision execution and operation. However, in corporate governance, matters falling within the decision-making powers of the Board of Directors are fully communicated and discussed with all members of the Board of Directors, and the Management is only empowered to plan, execute and control such matters once the relevant proposal has been approved by the Board of Directors. In the future, the Company will increase the number of independent directors within the time limit prescribed by the relevant Decree (before the end of 2023) or select suitable candidates in the management to serve as the President so as to avoid the situation that the Chairman of the Board is the same person as the President.

(III) Remuneration of general Directors, Independent Directors, President and Vice President

1. Remuneration of Directors and Independent Directors

Unit: NT\$ Thousand **December 31, 2022**

Position	Name	Remuneration Paid to Directors								Total Amount of A, B, C and D and Ratio of it to Net Income After Tax		Relevant Remuneration Received by Directors Who are Also Employees								Proportion of total after-tax net income of items A, B, C, D, E, F and G		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation(A)		Severance Pay and Pension(B)		Directors(C)		Business Execution Expenses(D)				Salary, Bonuses, and Allowances(E)		Severance Pay and Pension(F)		Employee Compensation(G)						
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
Cash Amount	Stock Amount															Cash Amount	Stock Amount					
Chairman	Jen-Hao Cheng	—	—	—	—	—	—	11,520	14,400	3.99	4.84	14,135	16,295	258	258	307	—	307	—	9.07	10.50	7,758
Director	Lan-Hui Yu																					
Director	Yen-Ming Chen																					
Director	Shine Far Co Ltd Representative: Ken-Pei Cheng																					
Director	Cheng Loong Corporation Representative: Su-Yun Cheng																					
Director	Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu																					
Independent Director	Yao-Ming Huang	—	—	—	—	—	—	5,760	5,760	1.99	1.94	—	—	—	—	—	—	—	1.99	1.94	—	
Independent Director	Hsu-Feng Ho																					
Independent Director	Mao-Chun Wang																					

Note 1: Please clarify the remuneration payment policy, system, standards and structure for independent directors, and clarify the correlation between the responsibilities, risks, time spent and other factors assumed and the amount of remuneration paid: the remuneration of independent directors of the Company shall be paid by the Company in accordance with the provisions of Article 16 of the Company's Articles of Incorporation when the directors carry out the business of the Company, regardless of the operating profit or loss. The compensation of all directors shall be determined by the Board of Directors according to the degree of their participation in the operations of the Company and the value of their contribution, taking into account the level of the same industry.

Note 2: In addition to the disclosures in the table above, the remuneration received for services rendered by directors of the Company in the most recent year (e.g. acting as consultants to non-employees of the parent company/all companies in the financial statements/reinvestment business, etc.): 0.

Table of Range of Remuneration

Range of Remuneration	Name of Directors			
	Total remuneration of the first four items		Total remuneration of the first seven items	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Less than NT\$1,000,000	Jen-Hao Cheng, Lan-Hui Yu, Yen-Ming Chen, Shine Far Co., Ltd. Representative: Ken-Pou Cheng, Cheng Loong Corporation: Shu-Yun Cheng, Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu, Yao-Ming Huang, Hsu-Feng He, Mao-Chun Wang	Jen-Hao Cheng, Lan-Hui Yu, Yen-Ming Chen, Shine Far Co., Ltd. Representative: Ken-Pou Cheng, Cheng Loong Corporation: Shu-Yun Cheng, Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu, Yao-Ming Huang, Hsu-Feng He, Mao-Chun Wang	—	—
NT\$1,000,000 (inclusive) to 2,000,000 (not inclusive)	—	—	Yen-Ming Chen, Cheng Loong Corporation: Shu-Yun Cheng, Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu, Yao-Ming Huang, Hsu-Feng He, Mao-Chun Wang	Yen-Ming Chen, Cheng Loong Corporation: Shu-Yun Cheng, Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu, Yao-Ming Huang, Hsu-Feng He, Mao-Chun Wang
NT\$2,000,000 (inclusive) to 3,500,000 (not inclusive)	—	—	Ken-Pei Cheng	Ken-Pei Cheng
NT\$3,500,000 (inclusive) to 5,000,000 (not inclusive)	—	—	—	—
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	—	—	Lan-Hui Yu	Lan-Hui Yu
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	—	—	Jen-Hao Cheng	Jen-Hao Cheng
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	—	—	—	—
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	—	—	—	—
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)	—	—	—	—
Over NT\$100,000,000	—	—	—	—
Total	9	9	9	9

2. Remuneration of the President and Vice Presidents

Unit: NT\$ Thousand **December 31, 2022**

Position	Name	Salary (A)		Severance Pay and Pension (B)		Bonuses and Allowances (C)		Employee Compensation (D)				Total Amount of A, B, C and D and Ratio of it to Net Income After Tax		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company		Companies in the consolidated financial statements		The Company	Companies in the consolidated financial statements	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chief Operating Officer (Note 1)	Min-Peng Hsu	2,520	3,791	93	93	4,429	6,414	—	—	—	—	2.44	3.46	—
Vice President (Note 2)	Yung-Lung Lin													
Vice President	Yi-Nuo Chen													
Vice President	Chen-Te Wang													
Vice President	Kuo-Nan Tsai													

Note 1: Chief Operating Officer Min-Peng Hsu leaves office in May 2022

Note 2: Deputy general manager Yung-Shuang Lin retires in July 2022

Table of Range of Remuneration

Range of remuneration paid to the President and Vice Presidents of the Company	Name of President and Vice Presidents	
	The Company	Companies in the consolidated financial statements
Less than NT\$1,000,000	Chen-Te Wang	—
NT\$1,000,000 (inclusive) to 2,000,000 (not inclusive)	Min-Peng Hsu, Yung-Shuang Lin, Kuo-Nan Tsai	Min-Peng Hsu, Yung-Shuang Lin, Kuo-Nan Tsai
NT\$2,000,000 (inclusive) to 3,500,000 (not inclusive)	Yi-Nuo Chen	Yi-Nuo Chen
NT\$3,500,000 (inclusive) to 5,000,000 (not inclusive)	—	Chen-Te Wang
NT\$5,000,000 (inclusive) to 10,000,000 (not inclusive)	—	—
NT\$10,000,000 (inclusive) to 15,000,000 (not inclusive)	—	—
NT\$15,000,000 (inclusive) to 30,000,000 (not inclusive)	—	—
NT\$30,000,000 (inclusive) to 50,000,000 (not inclusive)	—	—
NT\$50,000,000 (inclusive) to 100,000,000 (not inclusive)	—	—
Over NT\$100,000,000	—	—
Total	5	5

3. Remuneration of Management Team

Unit: NT\$ Thousand **December 31, 2022**

	Position	Name	Stock Amount	Cash Amount	Total	Ratio of Total Compensations to NIAT (%)
Managerial Personnel	President (Part-time)	Jen-Hao Cheng	—	444	444	0.15
	Vice Chairman	Lan-Hui Yu				
	Audit Director	Kun-Lin Wu				
	Accounting Supervisor	Yu-Cheng Yao				
	Finance Manager	Wei-Teng Hsiao				

(IV) Comparison of the analysis of the ratio of total remuneration paid to directors, president and vice president of the Company in the last two fiscal years to the net income after tax of individual or individual financial statements, and the relationship between the policies, standards and combinations for the payment of remuneration, the procedures for determining remuneration, and the operational performance of the Company and all consolidated reports, respectively

Payee	Percentage of total compensations paid to NIAT					
	2022		2021		Difference	
	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements	The Company	Companies in the consolidated financial statements
Director	11.07%	12.44%	7.38%	7.56%	3.69%	4.88%
President and Vice President	2.44%	3.46%	2.96%	3.45%	(0.52)%	0.01%

The fare to the directors shall be paid by the Company in accordance with the Company's Articles of Incorporation; In addition, concerning the remuneration of the president and vice president, the salary portion is paid in accordance with the "Peer Salary Management Method", according to the rank and position. The bonus portion is paid in accordance with the "Peer Bonus Payment Method" of the Company, as well as the salary, allowance and the operating performance of the Company in the previous year

III. Implementation of Corporate Governance

(I) Board of Directors

2022 Annual Board Meeting 6 times, the attendance of directors and independent directors is as follows:

Position	Name	Actual Attendance	Attendance by proxy	Percentage of Actual Attendance (%)	Remark
Chairman	Jen-Hao Cheng	6	0	100	
Vice Chairman	Lan-Hui Yu	6	0	100	
Director	Cheng Loong Corporation	6	0	100	
	Su-Yun Cheng				
	Shine Far Construction Co., Ltd.	4	0	67	
	Chuan-Chuan Lu				
	Shine Far Co., Ltd.	6	0	100	
	Ken-Pei Cheng				
	Yen-Ming Chen	4	0	67	
Independent Director	Yao-Ming Huang	6	0	100	
	Hsu-Feng Ho	6	0	100	
	Mao-Chun Wang	6	0	100	

Other matters to be recorded: Other matters to be recorded:

- I. If any of the following circumstances occur, the dates of the meetings, sessions, contents of motion, all Independent Directors' opinions and the Company's response should be specified:
 - (I). Matters referred to in Article 14-3 of the Securities and Exchange Act: please refer to Page 38-40.
 - (II). Other than the matters mentioned above, other resolutions that are objected and reserved by the Independent Directors and are documented or stated.
- II. If there are Directors' avoidance of motions in conflict of interest, the Directors' names, contents of motion, causes for avoidance and voting should be specified.

The Company has in place the Rules of Procedure of the Board of Directors, Article 14 of which stipulates that a director who has an interest in the matters of the meeting with himself or a legal person on his behalf that is detrimental to the interests of the Company may make representations and answer questions, may not participate in the discussion and vote, and shall avoid the discussion and vote, and may not exercise his voting rights on behalf of other directors.

- III. TWSE/TPEX Listed Companies shall disclose information including the evaluation period and duration, evaluation scope, method and evaluation content of self (or peer evaluation of the Board of Directors, and fill in the execution of the assessment by the board of director

(1) The performance evaluation of the Board of Directors of the Company includes:

Frequency	Period	Scope	Method	Content
Internal performance assessments are performed annually. Assessments are performed at least once every three years by an external independent professional body or a team of external experts and scholars.	Assessment of performance for the period from January 1 to December 31, 2022	Includes board of directors, individual board members and functional committees	Internal evaluation and directors' self-assessment	As described below

1. Overall Assessment of Board of Directors

According to the performance evaluation results of the Board of Directors, the average score of 45 indicators in five aspects is 4.79, and each aspect is between 4.59 and 4.94. Among them, the scores of "Composition and Structure of the Board of Directors" and "Selection and

Continuous Improvement of Directors" are relatively low. There is still room for improvement in the setting of functional committees and the diversification of the composition of the Board of Directors and the selection process.

Assessment Aspect	Rating
A. Participation in the operation of the Company (12 indicators)	4.87
B. Improvement on the quality of the Board's decisions (12 indicators)	4.94
C. Composition and structure of the Board of Directors (7 indicators)	4.63
D. Election of Directors and Continuous Improvement (7 Indicators)	4.59
E. Internal controls (7 indicators)	4.94

2. Audit Committee

According to the performance evaluation results of the Audit Committee, the average score of 24 indicators in five aspects is 4.81, and each aspect is between 4.67 and 5. Among them, the scores for "Internal control", "Awareness of the duties of the functional committee" and "Improvement of quality of decisions made by the functional committee" are relatively low, and it is recommended that the selection of audit committee members should take into account the results of performance evaluation

Assessment Aspect	Rating
A. Participation in the operation of the Company (4 Indicators)	5.00
B. Awareness of the duties of the functional committee (6 indicators)	4.73
C. Improvement of quality of decisions made by the functional committee (7 indicators)	4.76
D. Makeup of the functional committee and election of its members (4 indicators)	4.89
E. Internal controls (3 indicators)	4.67

3. Remuneration and Compensation Committee

According to the performance evaluation results of the Remuneration Committee, the average score of 21 indicators in five aspects is 4.81, and each aspect is between 4.6 and 5. Among them, the scores of "Awareness of the duties of the functional committee" and "Improvement of quality of decisions made by the functional committee" are relatively low. It is recommended that the performance evaluation of directors be included as a reference basis for compensation, and that the performance evaluation results be included in the consideration of the selection of the members of the Remuneration Committee.

Assessment Aspect	Rating
A. Participation in the operation of the Company (4 Indicators)	5.00
B. Awareness of the duties of the functional committee (6 indicators)	4.60
C. Improvement of quality of decisions made by the functional committee (7 indicators)	4.76
D. Makeup of the functional committee and election of its members (4 indicators)	4.89
E. Internal Controls	N/A

4. Individual Director

As a result of the performance evaluation of the individual directors, the average score of the six directors for a total of 23 indicators was 4.84, and the average score in each direction was between 4.76 and 4.96. Among them, the scores for "participation in the operation of the company" and "management and communication of internal relations" are relatively low.

Assessment Aspect	Rating
A. Alignment of the goals and missions of the Company (3 Indicators)	4.78
B. Awareness of the duties of the Directors (3 Indicators)	4.96
C. Participation in the operation of the Company (8 Indicators)	4.76
D. Management and communication of the internal relations (3 Indicators)	4.78
E. The director's professionalism and continuing improvement (3 Indicators)	4.89
F. Internal controls (3 indicators)	4.85

- (2) The results of the performance evaluation of the Board of Directors were reported to the Board of Directors on March 13, 2023.

IV. Goals of the current and the recent years to improve the functions of Board of Directors (such as establishing audit committee, improving the information disclosure) and evaluation of the implementation.

1. The Secretariat of the Board of Directors is established as the special unit of the Board of Directors, so as to make the contents and procedures of the Board of Directors meet the provisions of laws and regulations, and formulate the rules of procedure of the Board of Directors for the operation of the Board of Directors
2. The matters reported by the board of directors shall include the resolutions of the last meeting and important financial and business reports, so as to ensure the directors' mastery of the company's operation.
3. The whole process of the board of directors shall be recorded and kept for five years according to law.
4. The Company has established an Audit Committee to strengthen the functions of the Board of Directors, which is composed of three independent directors. It is responsible for the proper expression of the Company's financial statements, the selection (dismissal) of certified public accountants, its independence and performance, the effective implementation of the company's internal control, and the control of the company's risk of complying with relevant laws and regulations.]
5. The company has established a Remuneration Committee, which is responsible for formulating and regularly reviewing the policies, systems, standards and structures of performance evaluation and remuneration of directors and managers, as well as regular evaluation, and determining the remuneration of directors and managers.
6. The Company has formulated the performance evaluation measures of the Board of Directors and implemented the performance evaluation of the overall Board of Directors and individual directors since 2020

(II) Audit Committee Operations

1. 2022 Annual Audit Committee Meeting 5 times, the attendance of independent directors is as follows:

Position	Name	Actual Attendance	Attendance by proxy	Percentage of Actual Attendance (%)	Remark
Convener of the Audit Committee	Yao-Ming Huang	5	0	100	
Member of the Audit Committee	Hsu-Feng Ho	5	0	100	
Member of the Audit Committee	Mao-Chun Wang	5	0	100	

Other mentionable items:

- I. With regard to the operation of the Audit Committee, if any of the following circumstances occurs, the dates, terms of the meetings, contents of motions, all Audit Committee resolutions, and the Company's handling of such resolutions shall be specified.
 - (I) Matters listed in Article 14 (5) of the Securities and Exchange Act: refer to page 40-41
 - (II) Except as otherwise disclosed above, any other proposals which failed to obtain the approval of the Audit Committee, but were approved by two-thirds of the directors: None.
- II. If there were independent directors who abstained from voting due to conflict of interest, the independent directors' names, contents of the proposal, and causes of abstention should be specified:
For the proposals involving the interests of independent directors, the relevant independent directors adhered to a high degree of self-discipline and did not participate in the discussion and voting, nor did they participate in the voting on behalf of other independent directors.
- III. The communication between the independent directors and the manager of internal audit and the CPA (including the major matters, methods and results of communication on the company's financial and business conditions):

(I) Communication between independent directors and the manager of internal audit:

Date of the meeting	Communication matters	Results
March 7, 2022	I. The Internal Audit Supervisor explained that the internal audit business of the 2021 annual plan audit was completed at the end of January 2022, with a total of 70 audit items. II. 2 internal audit reports in February 2022, audit items include 1. Stock Affairs. 2. Derivative Commodity Operations.	All independent directors are informed and have no comments.
May 9, 2022	I. The manager of internal audit explains the internal audit to be carried out according to the audit plan for April 2022, and the audit items include 1. Stock Affairs. 2. Derivative Commodity Operations. 3. Lending Funds to Other Parties. 4. Endorsement and Guarantee.	All independent directors are informed and have no comments.

		5. Access Control Operation. 6. Integrity in the management of work. 7. Data input/output control operation. 8. Consignment Processing. II. Explained 18 internal audit reports from January to April, 2022.	
	November 11, 2022	I. The manager of internal audit explains the internal audit to be carried out according to the audit plan for August to September 2022, and the audit items include 1. Stock Affairs. 2. Derivative Commodity Operations. 3. Salary work. 4. Online reporting of information. 5. Customer information card operations. 6. Credit management work. 7. Acquisition and Disposal of Assets. 8. Laws and regulations follow the operation. 9. The accounting profession judgement. 10. Petty Cash Management. 11. Repair and Maintenance Management. II. Explained 52 internal audit reports from January to September, 2022.	All independent directors are informed and have no comments.
	December 22, 2022	I. The manager of internal audit explains the internal audit to be carried out according to the audit plan for October to November 2022, and the audit items include 1. Stock Affairs. 2. Derivative Commodity Operations. 3. Endorsement and Guarantee. 4. Lending Funds to Other Parties. 5. Management of Remuneration Committee operations. 6. The Audit Committee operations. 7. The Board of Directors operation and management. 8. Logistics Operations. 9. Gas station oil operations. 10. Applicable IFRS operations. 11. Preparation of financial statements. 12. Supervision and management of subsidiaries. II. Explained 62 internal audit reports from January to November, 2022	All independent directors are informed and have no comments.

Date of the meeting	Communication matters	Results
March 7, 2022	1. Independence 2. Responsibility of auditors to audit financial statements 3. Audit Scope 4. Audit Findings 5. Matters of Concern from the Competent Authorities 6. Important Securities Act Updates	All independent directors are informed and have no comments.
November 11, 2022	1. Independence 2. Reviewer Responsibilities for Reviewing Interim Financial Statements 3. Types of Review Conclusions 4. Scope of review 5. Review Discovery 6. Annual audit plan 7. Updating of important accounting standards or explanatory letters, securities laws and tax laws	All independent directors are informed and have no comments.

(III) Corporate Governance Implementation Status and Deviations from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons thereof

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Abstract Illustration	
I. Does the Company establish and disclose the "Corporate Governance Best-Practice Principles" based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	V		In accordance with the Code of Practice on Corporate Governance for Listed Companies, the Company adopted the Code of Practice on Corporate Governance at the Board of Directors on November 10, 2016, which has been disclosed to the Market Observation Post System and the Company's website for reference.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
II. Shareholding structure & shareholders' rights	V		The Company has a Spokesperson, an Acting Spokesperson and a Stock Affairs Division to serve the Shareholders and to deal with matters such as shareholders' advice, doubts or disputes.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(I) Does the Company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		The Company has stock affairs unit that is fully knowing the list of major shareholders who actually control the company and the ultimate controllers of the major shareholders.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(II) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		The Company defines the norms of the Code of Ethical Conduct and the Guide to Business Procedures and Conduct for Best Practice and the execution of business among Affiliates.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(III) Does the Company establish and execute the risk management and firewall system within its conglomerate structure?	V		The Company has agreed on the "Measures for the Administration of Preventive Insider Trading" and the "Guidelines for the Operation Procedures and Conduct of Best Practice", which regulate that insiders of the Company may not use unpublished information on the market to buy and sell marketable securities. The relevant measures have been disclosed on the Company's website for reference.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(IV) Does the Company establish internal rules against insiders trading with undisclosed information?	V			
III. Composition and Responsibilities of the Board of Directors	V		In the Code of Best Practice on Corporate Governance, the Company has established a diversification policy for the composition of the Board of Directors. Through a rigorous selection and nomination process, the Company has established 9 directors according to the scale of the Company's business development and the shareholding of its major shareholders, taking into account the practical operational needs. Of the current 9 directors, about 33% are employees, about 33% are independent directors, and about 22% are female directors. Of these, 2 are independent directors who have been re-elected for a term of office of three years or more. Of the Number of directors of the Company, 5 directors are aged between 60 to 79 years old, and the remaining 4 are aged under 60 years old. Please refer to Note 1 for the diversification policy of all Board members. The Company has not set up any functional committees other than the Remuneration Committee and the Audit Committee.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
(I) Does the Board of Directors have a diversification policy, specific management objectives and implementation plan?	V			

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Abstract Illustration	
(II) Does the Company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee? (III) Does the Company establish evaluation measures and methods, conduct performance evaluation regularly every year, and submit the result of performance evaluation to the Board, and use it in individual director remuneration and nominating successors for reference? (IV) Does the Company regularly evaluate the independence of CPAs?	V	V	The Company has agreed on the “Method for Performance Evaluation of the Board of Directors and the Functional Committee”. At the end of each year, the members of the Board of Directors shall assess their own performance and that of the Board as a whole in the form of a questionnaire, which shall serve as a reference for the selection or nomination of directors, and the results of the assessment and recommendations for improvement are reported to the Board of Directors on March 13, 2023. Once a year, the General Management Office of the Company self-assesses the independence of the certified public accountants, and it is discussed by the Audit Committee and approved by the Board of Directors on March 13, 2023. The Company has appointed CPA Samuel, Au Yiu Kwan and CPA Samuel, Yu-Ting Hsin from KPMG Taiwan, who satisfy the Company's independence assessment criteria (Note 2) and are sufficient to act as the Company's certified public accountants and CPA firm with a letter of representation (Note 3).	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
IV. Does the TWSE/TPEX Listed Companies assign appropriate number of administrators and designate corporate governance director to take charge of corporate governance affairs (including but not limited to providing data required by directors, supervisors implementing business, assistance of directors, supervisors in complying with laws, handling relevant matters of the board meeting and shareholders' meeting, and preparing minutes of Board of Directors and shareholders' meeting)?	V		The Company has a Secretariat of Board to be in charge of matters related to corporate governance. Its responsibility includes providing information necessary for the directors to carry out their business, handling matters related to the meetings of the Board of Directors and the Shareholders' Meeting in accordance with the law, handling the registration of the company and the registration of changes, and preparing the minutes of the meetings of the Board of Directors and the Shareholders' Meeting, etc.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
V. Does the Company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company agreed the Code of Best Practice on Corporate Social Responsibility to implement the social responsibility. The Company would strengthen communication with stakeholders, and make information open and transparent in order to safeguard the interests of stakeholders. A stakeholder section is set in the Company's website.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
VI. Does the Company appoint a professional shareholder service agency to deal with shareholder affairs?		V	The Company has a stock affairs unit and will run the shareholders' meeting by the Company itself.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
VII. Information Disclosure (I) Does the Company have a corporate website to disclose both financial standings and the status of corporate governance? (II) Does the Company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	V	V	The Shareholder Services Section discloses information relating to the financial affairs and corporate governance of the Company. Company website www.slc.com.tw. The Company has designated a staff to be responsible for disclosing material information of the Company to the Exchange's website. The Company has a Spokesperson and an Acting Spokesperson for the Shareholders or Stakeholders at any time. On August 19, 2022, the Company held a corporate briefing through telephone conference, and the presentation and audio-visual files were placed on the Company's website.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Abstract Illustration	
(III) Does the Company publicize and declare the annual financial report within two months upon the end of the fiscal year, and Q1, Q2 and Q3 Financial Report and operation status of each month prior to the scheduled period?		V	The Company publicizes and declares the annual financial report within two months upon the end of the fiscal year, and Q1, Q2 and Q3 Financial Report and operation status of each month prior to the scheduled period.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies
VIII. Is there any other important information to facilitate a better understanding of the Company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, Directors' and Supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and Supervisors)?	V		1. Employee rights and interests: The Company intends to put people first, regarding employees as important assets of the Company, and establishes and implements a complete system approach for employee working environment, family care, education and training, etc., so that employees can work under safe and secure prerequisites. There are employee appeal channels on the intranet. 2. Employee Care: The Company has established the Employee Benefits Committee to provide various benefits and subsidies, paying attention to the safety and health of employees. 3. Investor Relations: The Company operates in a decent manner in the spirit of excellence, technology, integrity and quality. It established Investors' Sections on the Company's website, providing sufficient information for investors to refer to, and has a communication platform for investors to contact the Company. The Company discloses the Company's financial and business-related information at the MOPS in a correct and timely manner. 4. Supplier Relationships: The Company has a Purchasing Department, which is dedicated to managing supplier-related affairs and creating a win-win relationship based on the principle of reciprocity. In addition to a toll-free service line, there is a stakeholder section on the company's website. 5. Rights of Stakeholders: The Company has a spokesperson and an acting spokesperson for the Company's external communication channels. Stakeholders may communicate and advise with the Company to safeguard their legitimate rights and interests, as well as a platform on the Company's website for stakeholders to contact the Company. 6. Advanced training of directors: The Directors and Independent Directors of the Company have professional background and operational and management experience. 7. Implementation of risk management policies and risk measurement standards: The Company determines various internal control systems and related measures, and various specialists carry out various risk management and assessment. There is an Audit Office to supervise the company and report the relevant information directly to the Audit Committee.	In compliance with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies

Evaluation Item	Implementation Status			Deviations from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and reasons thereof
	Yes	No	Abstract Illustration	
			8. Implementation of the Customer Policy: The Company implements the Customer Policy in accordance with the Code of Best Practice on Corporate Social Responsibility. The Company has a Business Department that manages customer-related business and maintains stable and good relationships with customers to generate company profits. 9. Buying liability insurances for directors: The Company has purchased liability insurance for the directors on May 1, 2022 10. In order to strengthen corporate governance, the Board of Directors of the Company shall be convened at least once a quarter, and the directors shall avoid participating in the voting on the interested parties' proposals in accordance with the law.	
IX. Please describe the improved situation regarding the results of the recent corporate governance appraisal issued by the Taiwan Stock Exchange Co., Ltd. Corporate Governance Center, and propose the priority enhancements and measures for those which have not yet improved: (I) For the results of the 8th Corporate Governance Appraisal issued in 2022, the Company's improvement is as follows: 1. The Company will begin to publish key messages in English simultaneously in 2022. 2. The Company will upload the English version of its annual financial report 7 days prior to the opening of the Annual Shareholders' Meeting for 2022. 3. The Company will disclose the interim financial report in English within two months after the deadline for filing the Chinese version of the financial report in 2022. (II) Priorities and measures proposed regarding those not having improved: 1. The Company will upload the shareholders' meeting manual and supplementary information 30 days before the shareholders' meeting in 2023. 2. The Company will have a Corporate Governance Officer in 2023. 3. The Company will plan the greenhouse gas inventory and verification schedule in 2023.				

Note 1: Diversity and independence of directors

Disclosure of the professional qualifications of directors and supervisors and the information on independence of independent directors:

- (I) Diversity of the Board of Directors: The Company has established a diversification policy for the composition of the Board of Directors in the Code of Practice on Corporate Governance and, through a rigorous selection and nomination process, has weighed the operational needs of the Company with respect to the size of its operations and the shareholding of its major shareholders. Implementation of the Company's directors' diversity policy

Position	Name	Nationality	Gender	Age		Length of service of independent directors		Operational judgment capability	Accounting and financial analysis capabilities	Business management capability	Crisis management capability	Industrial Knowledge	Global market viewpoint	Leadership skills	Decision-making capability
				49 or less	50 or more	Within 3 years	4 to 6 years								
Chairman	Jen-Hao Cheng	Republic of China	Male	V				V	V	V	V	V	V	V	V
Vice Chairman	Lan-Hui Yu	Republic of China	Male		V			V	V	V	V	V	V	V	V
Director	Cheng Loong Corporation. Representative: Shu-Yun Cheng	Republic of China	Female	V				V	V	V	V	V	V	V	V
Director	Shine Far Construction Co., Ltd. Representative: Chuan-Chuan Lu	Republic of China	Female		V			V	V	V	V	V	V	V	V
Director	Representative of Shine Far Construction Co., Ltd.: Cheng Ken-Pei	Republic of China	Male		V			V	V	V	V	V	V	V	V
Director	Yen-Ming Chen	Republic of China	Male	V				V	V	V	V	V	V	V	V
Independent Director	Yao-Ming Huang	Republic of China	Male		V		V	V	V	V	V	V	V	V	V
Independent Director	Hsu-Feng Ho	Republic of China	Male		V	V		V	V	V	V	V	V	V	V
Independent Director	Mao-Chun Wang	Republic of China	Male		V		V	V	V	V	V	V	V	V	V

(II) Board Independence: 3 of the current 9 directors are independent directors, accounting for about 33%.

The Board of Directors of the Company guides the company's strategy, supervisory management and accountability to the Company and its shareholders. In all operations and arrangements of the corporate governance system, the Board of Directors exercises its functions and powers in accordance with laws and regulations, the Articles of Association or the resolutions of the Shareholders' Meeting, etc. The Board of Directors of the Company emphasizes the function of independent operation and transparency, and the directors and independent directors are independent individuals and exercise their powers independently. The three independent directors have also complied with the relevant statutory provisions, combined with the powers of the Audit Committee to review the management and control of the Company's existence or potential risks, etc., to ensure the supervision of the effective implementation of the Company's internal controls, the selection (dismissal) of visa accountants, and the preparation of independence and financial statements. In addition, in accordance with the "Directors' Election Method" of the Company, the cumulative voting system and the candidate nomination system for the election of directors and independent directors shall be adopted to encourage the participation of shareholders. Shareholders holding a certain number of shares or more shall submit a list of candidates. The qualification conditions for such candidates and the confirmation of whether there is any violation of the provisions of Article 30 of the Company Act shall be reviewed and announced in accordance with the law to protect the rights and interests of shareholders, so as to avoid the nomination rights being cut off or too flooded and to maintain independence.

The Company has established a performance evaluation system for the Board of Directors, which performs an internal self-assessment of the Board of Directors and an assessment of the self-assessment of the members of the Board of Directors once a year. The performance assessment of the Board of Directors includes five major aspects: (1)

participation in the operation of the Company, (2) quality of decisions made by the Board of Directors, (3) composition and structure of the Board of Directors, (4) selection and continuing improvement of directors, and (5) internal control. The self-assessment of the members of the Board of Directors includes six major aspects: (1) mastery of the objectives and tasks of the Company, (2) recognition of directors' duties, (3) participation in the operation of the Company, (4) management and communication of internal relations, (5) professionalism and continuous improvement of directors, and (6) internal control. The above relevant assessment results are disclosed in the annual report of the Company and on the official website after being reported to the Board of Directors.

Note 2: Evaluation Form for Accountants Independence

Evaluation Item	Rating
I. Self-interest (Note: refers to financial interests obtained through audit clients or conflicts of interest with audit clients due to other interests)	
1. Any direct or significant indirect financial interest between the members of the CPAs and Audit Services Team and the Company	None
2. There are financing or assurance actions between the members of the team of accountants and audit services and the Company or its directors	None
3. Any close business relationship between the members of the CPAs and Audit Services Team and the Company	None
4. Any a potential employment relationship between the members of the CPAs and Audit Services team and the Company	None
II. Self-assessment (Note: refers to the report or judgment issued by a CPA in the execution of a non-audit service, as an important basis for the conclusion of the audit in the process of auditing or reviewing financial information; or a member of the audit service team has served as a director or supervisor of an audit client, or has served in a position that directly and materially affects the audit)	
1. Members of the team of accountants and audit services currently or in the last two years have served as directors, managers or positions that have had a significant impact on audit cases of the Company	None
2. Any provision of non-audit services by CPAs directly affect the important items of the audit	None
III. Defense (Note: refers to a member of the Audit Services Team who is a defender of the audit client's position or opinion, resulting in questioning of their objectivity)	
1. Any members of the CPAs and Audit Services Team advertised or brokered any shares or other securities issued by the Company	None
2. Any member of the CPAs or Audit Service Team act as the defender of the Company or coordinates conflicts with other third parties on behalf of the Company	None
IV. Familiarity (Note: refers to the close relationship between audit clients, directors, supervisors and managers, which causes the CPAs or Audit Services Team to focus excessively on the interests of the same-gender audit clients)	
1. The members of the team of accountants and audit services have a kinship relationship with the directors, managers or other persons whose duties have a significant impact on the audit cases of the Company	None
2. Co-practicing accountants within one year of their retirement to serve as directors, managers or positions that have a significant impact on the Company or its audit cases	None
3. Accountants and audit services team members receive gifts or gifts of significant value from the Company or its directors or managers	None
V. Threats (Note: refers to members of the Audit Service Team to suffer or feel threatened by the Company and cause the members to be unable to maintain objectivity and clarify professional doubts.	
1. Disclosure of the Company's requirement on the members of the Accountants and Audit Services Team to accept inappropriate selection of accounting policies by management or inappropriate on the financial statements	None
2. In order to reduce expenses, does the Company exert pressure on the CPAs or Audit Service Team, which improperly reduces the audit work	None



安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

受文者：山隆通運股份有限公司

主 旨：聲明本會計師受託執行 貴公司民國一一二年度財務報表查核簽證工作，已符合會計師職業道德規範之相關獨立性要求。

說 明：本事務所之獨立性規範包括：所有成員之個人獨立性(財務利益、融資保證、僱用關係等)、與客戶間的商業關係、會計師輪調制度，以及非審計服務等政策與程序。茲就重要規範與遵循事項說明如下：

一、獨立性重要規範

- (一) 要求事務所、事務所人員及其他受獨立性規範之人員（包含聯盟事務所人員），依會計師職業道德規範維持獨立性。
- (二) 禁止任何人員從事（直接或間接）內線交易、誤用內部訊息或任何可能造成在證券或資本市場上的誤導行為。同時每年取得事務所人員已遵循獨立性政策及程序之聲明書。
- (三) 對上市（櫃）及興櫃公司財務報表之查核案件，如主辦會計師、會簽會計師、品質管制複核會計師及符合一定條件之子公司查核會計師之承辦期間已達會計師職業道德規範或法令所規定之期限，要求輪調。
- (四) 對提供之服務辨認及評估可能影響獨立性之情況，採取適當措施消弭該影響，或將其降低至可接受之程度。必要時，終止該案件之委任。

二、獨立性政策遵循之監督

- (一) 所有查核人員於受指派參與案件均應簽署獨立性聲明，另透過線上年度獨立性聲明書，再次要求確認是否遵循。
- (二) 以定期抽查方式查核成員個人對於獨立性遵循狀況，並透過個人投資申報系統檢視副理(含)級以上人員是否依規定申報個人投資異動情形。
- (三) 監督及抽查案件會計師的輪調狀況及提供非審計服務的適當性，包含會計師的案件簽證期間以及提供的非審計服務的事前核可等。
- (四) 遇有違反獨立性政策，違反的成員(包括合夥人)將交由風險與獨立性委員會依據獨立性紀律政策處理。並視違反情節及性質之輕重予以採取適當懲處行動。

KPMG, a Taiwan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



綜上，本會計師受託執行 貴公司民國一一二年度之財務報表查核工作，已保持嚴謹公正之態度及超然獨立之精神，並無違反職業道德規範公報第十號所規定之情事。

安侯建業聯合會計師事務所

區 耀 軍

會計師：

辛 郁 婷



民國一一二年一月九日

(IV) Profile of members of Remuneration Committee and its operation

1. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Criteria Identity \ Name	Criteria		Independence criteria	Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member
	Professional Qualification and Work Experience			
Independent Director (Convenor)	Yao-Ming Huang	Retired certified public account, KPMG	Note	1
Independent Director	Hsu-Feng Ho	Vice President, Cheng Loong	Note	None
Independent Director	Mao-Chun Wang	Vice President, Shan-Loong Transportation	Note	None

Note: Disclosure of the professional qualifications of directors and supervisors and the information on independence of Independent Directors, please refer to Page 11.

2. Attendance of Members at Remuneration Committee Meetings

- (1) There are 3 members in the Remuneration Committee.
- (2) Term of office of the members of the Fourth Remuneration Committee: From May 29, 2020 to May 28, 2023. Three Meetings of the 2022 Fourth Remuneration Committee of the Company were held.
- (3) The qualifications and attendance of members are as follows:

Position	Name	Actual Attendance	Attendance by proxy	Percentage of Actual Attendance (%)	Remark
Convener	Yao-Ming Huang	3	0	100	
Committee Member	Hsu-Feng Ho	3	0	100	
Committee Member	Mao-Chun Wang	3	0	100	
Other mentionable items:					
(I) If the board meeting does not adopt or revise the Remuneration Committee's proposals, the board meeting's date, period, motion contents, and resolution decisions as well as the method in which the Company handles the Remuneration Committee's opinions shall be disclosed in detail (e.g. if the salary rate adopted by the board committee is superior to that proposed by the Remuneration Committee, the differences and reasons shall be explained): None.					
VIII. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated: None.					

(V) Implementation of the Code of Best Practice for the Promotion of Sustainable Development and the Circumstances and Reasons for Differences from the Code of Practice for the Sustainable Development of Listed Companies

Promoted Items	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies and Reasons Thereof
	Yes	No	Abstract Illustration	
I. Has the company established a governance structure that promotes sustainable development, and set up a dedicated (part-time) dedicated unit to promote the sustainable development, and the Board of Directors authorized the senior management to handle the situation, and the Board of Directors supervised the promotion status ?	V		"Sustainable Development Project Team" of the Company is composed of members of the relevant units of the General Management Office and is responsible for promoting and handling various sustainable development work, and reporting on the status of the work at the business executive meetings on a regular basis.	No material difference
II. Does the Company conduct risk assessment of environmental, social and corporate governance issues related to the Company's operations in accordance with the materiality principle, and formulate relevant risk management policies or strategies?	V		In accordance with the "Code of Best Practice on Corporate Social Responsibility", the Company adheres to the dedication and efforts on corporate social responsibility, and takes the four orientations of "responsible to shareholders, attention to employees, strive to be environmentally friendly, and care to the community" as its basic policy. 1. Responsible to shareholders: it is to implement a good corporate governance system to create best operating profit. 2. Attention to employees: it is to protect employees' rights and interests and improve the working environment, with emphasis on talent and employee development. 3. Strive to be environmentally friendly: it is to combine business and environmental practices to improve energy efficiency and reduce impact on the environment. 4. Care to the Community: it is to participate in various social welfare activities and be responsible for the operation of the service.	No material difference
III. Environmental Issues				
(I) Does the company establish proper environmental management systems based on the characteristics of their industries?	V		The environmental policy of the Company is "All Employees Participation, Valuing Resources, and Protecting the Environment", and "Environmental Protection Management Rules" are stipulated to implement the environmental protection. In addition, the Company has passed ISO 14001 Environmental Management System Certification and will regularly collect information on the company's operating environment, establish environmental management objectives, and regularly review the effectiveness and implementation improvement.	No material difference
(II) Has the company committed to improve the energy efficiency and use the renewable materials with low impact on the environment?	V		The Company's various resource utilization efficiency improvement practices are as follows: 1. Resource recycling areas are set up at each operating location. 2. Full replacement at General Management Office, gas stations, etc. LED lighting fixtures. 3. Qualified remanufactured tyres are used on some operational vehicles. 4. Qualified professional processing facilities are engaged to recycle or remove business waste.	No material difference

Promoted Items	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Abstract Illustration	
(III) Does the Company evaluate the potential risks and chances of climate change at present and in the future and take response measures?	V		The Company's actions related to energy conservation, carbon reduction and water resource protection are as follows: 1. More environmentally friendly and fuel-efficient models are purchased to replace old business tractor vehicles regularly, so as to reduce waste gas emissions and fuel consumption. 2. Electronic invoicing is used at gas stations to reduce paper usage and storage costs. 3. New vehicle washing machines that reduces the water consumption will be installed in the gas stations. 4. Accessible toilets that have been renovated in accordance with the law by gas stations shall be equipped with water-saving faucets and urinal buckets. 5. Replacement of LED lighting at each gas stations to reduce power consumption. 6. Virtual meetings will be held in various locations to cut business trips and reduce exhaust emissions and oil consumption.	No material difference
IV. Social Issues				
(I) Does the Company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights ?	V		The Company strictly complies with the labor laws and regulations and has full personnel management rules, which have been announced in public to protect the legitimate rights and interests of employees.	No material difference
(II) Has the Company established and offered proper employee benefits (including compensation, leave, and other benefits) and reflected the business performance or results in employee compensation appropriately?	V		The Company determines the salary, bonus and performance bonus methods, and the compensation of each salary shall be handled in accordance with the relevant personnel management rules.	No material difference
(III) Does the Company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		The Company regularly offers medical examination to employees throughout the Company every year, which is superior to the laws and regulations, and regularly inspects each workplace to maintain a good and safe working environment. In addition, regular safety education and training for new and ongoing employee will be proceeded in accordance with the laws.	No material difference
(IV) Does the company provide its employees with career development and training sessions?	V		The Company has a dedicated vocational training unit, which defines the employee career development training sessions according to the relevant indicators of the "Training Quality System TTQS".	No material difference
(V) Does the company comply with relevant laws, regulations and international standards, and formulate relevant consumer or customer rights protection policies and appeal procedures for issues such as customer health and safety, customer privacy, marketing and labeling of products and services?	V		Hazard labels for transport vehicles carrying chemical substances, as well as relevant safety labels for gas stations, are posted and set in accordance with the relevant laws and international standards.	No material difference

Promoted Items	Implementation			Deviations from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Abstract Illustration	
(VI) Has the Company established the supplier management policies requesting suppliers to comply with laws and regulations related to environmental protection, occupational safety and health or labor rights and supervised their compliance?	V		The Company has purchasing management procedures and supplier management procedures, and the newly cooperating suppliers will be evaluated first to confirm whether they meet the Company's needs and whether there are any bad records. The Company has signed contracts with suppliers and contractors for long-term cooperation, and has provisions that may terminate or cancel the contract at any time in case of violation of relevant laws and regulations that affects the rights and interests of the Company or laws and regulations.	No material difference
V. Does the Company adopt internationally widely recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial information of the Company? Has the Company received assurance or certification of the aforesaid reports from a third party accreditation institution?		V	The Company has not yet adopt internationally recognized standards or guidelines when producing corporate social responsibility report and other reports that disclose non-financial information of the Company.	To be evaluated
VI. If a company has its own rules for the sustainable development in accordance with the Code of Practice for the Sustainable Development of Listed Counter Companies, please clarify the difference between its operation and the rules: None.				
VII. Other important information assists to understand what drives sustainable development execution:				
1. In order to enhance the company's image, comply with international trends and improve the effectiveness of self-safety control, the Company introduced the relevant control measures of the "Quality Enterprise Safety Certification (AEO)", and obtained the approval of the Ministry of Finance Keelung Pass in June 2016, as well as the AEO certificate.				
2. In order to improve the safety mechanism for the transportation of chemical products, the Company passed the "European Road Transport Quality Safety Assessment System" (RSQAS) in June 2016, effectively improving the Company's transportation management system.				
3. For transportation drivers, the Company requires that preventive measures such as alcohol testing and blood pressure measurement be carried out before driving the vehicle, and that GPS, vehicle image recorders and other equipment be used to understand the driving dynamics of vehicles, and strengthen control over personnel and vehicles to reduce the occurrence of traffic accidents.				
4. In order to undertake the transportation business of Formosa Plastics Group, the Company strengthened its ability in corporate governance, driver training and vehicle maintenance through the assessment of the "Road Transport Quality and Safety Assessment System" (SQAS) of the Group to achieve the purpose of win-win in both transportation services and transportation safety.				
5. The Company cooperates with the Environmental Protection Bureau in the control of diesel vehicle smoke exhaust. Transportation plants in each district signs the vehicle independent management report with the local environmental protection bureau, and regularly detects the smoke exhaust of its business vehicles in accordance with the regulations, which is beneficial to others, self-interest and environmental protection.				
6. The Company has set up a driving safety bonus system for its transportation drivers, and provided incentives for driving within a certain period of time without traffic violations and accidents, so as to shape good driving habits.				
7. The Company uses the driver management system supervised by the Ministry of Transportation to periodically check the driver violation of its own drivers on a monthly basis, and strengthen the follow-up education and control of drivers with abnormalities.				
8. For the gas recovery equipment of the gas stations, the gas recovery rate shall be tested every three months, which is prevail over the statutory provisions. The employees are trained to refuel in accordance with the provisions of the Five Don'ts & Five Does. The Company is awarded the Outstanding Unit of the Air Pollution Detection of the Environmental Protection Agency.				
9. The Company introduced the ISO 9001 Quality Management System, the ISO 14001 Environmental Management System, and the ISO 45001 Safety and Health Management System. Every year, the Company conducts an external audit by the British Standards Institute (BSI) to ensure that the quality and safety objectives are achieved, and continuously strives to protect the environment, improve personnel, equipment and the potential risks of the environment, and promote the competitive advantage based on corporate social responsibility.				
10. The Company has set up the Security Department under the General Operation Office to implement a Company-wide safety and health policy of "All Employees Participation, Safety First, Disaster Zeroing" and the environmental policy of "All Employees Participation, Valuing Resources, Protecting the Environment", to ensure the personal safety of employees, improve the awareness and performance of employees, so as to achieve the goal of sustainable operation of the Company.				
11. Together with Cheng Loong Co., Ltd and Ta-yuan CoGeneration, the Company established the 21st "Paper Library" in primary schools in remote rural areas in Taiwan, to seed the awareness of sustainous-recycle, and continue to promote actions such as Used-forest and Paper-reading Friendly Community.				
12. Actively fulfilling corporate social responsibility for sustainable development, giving back to the society with practical actions, supporting the protection of the right to work of indigenous peoples, providing long-term stable job opportunities, promoting employment of indigenous peoples, and realizing the concept of a prosperous and good society, was awarded the prestigious award of excessive use of indigenous organs (institutions) and manufacturers in 2022.				

(VI) Ethical Corporate Management and Deviations from “The Ethical Corporate Management Best-Practice Principles for TWSE/TPEx*Listed Companies” and Reasons

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
I. Establishment of ethical corporate management policies and programs				
(I) Has the Company established the integrity management policies approved by the Board of Directors and specified in its rules and external documents the ethical corporate management policies and practices and the commitment of the board of directors and senior management to rigorous and thorough implementation of such policies?	V		The Company has established the "Procedure and Conduct Guidelines for Best Practice" and disclosed it on the Company's website to honour its commitment to the Best Practice Policy.	No significant differences yet
(II) Has the Company established a risk assessment mechanism against unethical conduct, analyze and assess on a regular basis business activities within its business scope which are at a higher risk of being involved in unethical conduct, and establish prevention programs accordingly, which shall at least include the preventive measures specified in Paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"?	V		The Company has established the Procedure and Conduct Guidelines for Best Practice and the Code of Ethical Conduct, and has established relevant programmes for the prevention of bad practice, covering at least the precautionary measures for each of the paragraphs of Article 7 (2) of the Code of Business Conduct for TWSE and TPEx Listed companies.	No significant differences yet
(III) Has the Company specified in its prevention programs the operating procedures, guidelines, punishments for violations, and a grievance system and implemented them and review the prevention programs on a regular basis?	V		The Company has clearly stipulated the relevant operational procedures, appeal system and other relevant provisions in the "Procedure and Conduct Guidelines for Best Practice" and the "Code of Ethical Conduct" regulations, and has disclosed them on the Company's website. The Company will review and revise the pre-revelation regulations in due time, depending on the revision of the positive and negative decrees and the practical needs, so as to implement the prevention of dishonest behavior.	No significant differences yet
II. Fulfillment of Integrity Management				
(I) Does the Company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		The Company evaluates the recipient's record of good practice in accordance with Procedure and Conduct Guidelines for Best Practice and include it in the contract the terms on which good practice should be conducted.	No significant differences yet
(II) Does the Company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity and regularly report the implementation of the ethical corporate management	V		The Company's Audit Office is a dedicated unit for the Company's best practice and reports regularly to the Board of Directors. The Company clarifies and implements the norms in accordance with the Code of Ethical Conduct.	No significant differences yet

policies and prevention programs against unethical conduct to it? (III) Does the Company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (IV) Has the Company established effective systems for both accounting and internal control to facilitate ethical corporate management, based on the results of assessment of the risk of involvement in unethical conduct, devise relevant audit plans and audit the compliance with the prevention programs accordingly or entrusted a CPA to conduct the audit? (V) Does the Company regularly hold internal and external educational trainings on operational integrity?	V		In order to conduct the business in a best practice manner, the Company has effectively established an accounting system and an internal control system, which are implemented by the Audit Office as the authorized unit. The Company regularly conducts internal education and training to fully understand the Company's determination to best practice and the consequences of bad practice.	
III. Operation of the integrity channel (I) Has the company established a concrete whistleblowing and rewarding system, and set up accessible methods for whistleblowers, and designate appropriate and dedicated personnel to investigate the accused? (II) Has the Company established the standard operating procedures for investigating reported misconduct, follow-up measures to be adopted after the investigation, and related confidentiality mechanisms? (III) Does the Company provide proper whistleblower protection?	V		The Company has a 0800 complaint line and a mailbox for complain on the website, and has a dedicated unit to handle relevant business. If there is a violation of the best practice principles and proves to be true, the violation party will be punished immediately in accordance with the working rules. Relevant operating procedures are not established, but there is a dedicated unit to handle them. Relevant operating procedures are not established, but there is a dedicated unit to handle them.	No significant differences yet
IV. Strengthening information disclosure Does the company disclose the ethical corporate management policies and the results of its implementation on the Company website and MOPS?	V		The Company has established Procedure and Conduct Guidelines for Best Practice and the Code of Ethical Conduct, which are disclosed on MOPS and the Company's website.	No significant differences yet
V. Where the Company has stipulated its own ethical corporate management best practices according to the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any differences between the prescribed best practices and the actual activities taken by the Company: None.				
VI. Other important information that facilitate the understanding of the implementation of the Company's best practice: (such as review and amendment of the company's Ethical Corporate Management Best Practice Principles) None.				

(VII) Regulations of Governance and Their Disclosure:

The relevant rules of corporate governance established by the Company have been placed on the website of the Company: under the "Investor" - important internal regulations of corporate governance, for shareholders' inquiries, please refer to the website <https://w3.slc.com.tw/investor/download/investorCompRule>.

(VIII) Other material information that can enhance the understanding of the state of corporate governance at the Company:

Material information from the Company has all been announced on the MOPS pursuant to regulations from the competent authority.

(IX) Implementation of Internal Control

1. Internal Control System Statement

Statement of Internal Control System of Shan-Loong Transportation

Date: 2023/03/13

According to the examination on internal control system done by the Company itself in 2022, we hereby states as follows:

- IV. The Company is fully aware that establishing, operating, and maintaining an internal control system are the responsibility of its Board of Directors and management. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings, operation performance and the safeguard of company assets); (b) Achieve the reliability, timeliness, transparency, and compliance objectives according to the relevant laws and regulations in order to provide reasonable assurances.
- V. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the three goals mentioned above. Furthermore, the effectiveness of an internal control system may change along with changes in environment or circumstances. The internal control system of the Company contains self-monitoring mechanisms, however, and the Company takes corrective actions as soon as a deficiency is identified.
- VI. The Company judges the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the Establishment of Internal Control Systems by Public Companies (hereinbelow, the "Regulations"). The Guidelines are made to examine the following five factors during the management and control process: 1. Control environment, 2. Risk assessment, 3. Control work, 4. Information and Communication, and 5. Supervise the work. Each element further contains several items. Please refer to the Regulations for details.
- VII. The Company has assessed the design and operating effectiveness of its internal control system according to the aforesaid criteria.
- VIII. The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2022 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies.
- IX. This Statement will become a major part of the content of the Company's Annual Report and Prospectus, and will be made public. If the above disclosure is false or concealed, it will involve the legal liabilities of Articles 20, 32, 171 and 174 of the Securities and Exchange Act.
- X. This statement was adopted by the Board of Directors of the Company on March 13, 2023, and 0 of the 9 directors present had objections. The rest of the directors agreed with this statement and made this statement.

Shan-Loong Transportation Co., Ltd.

Chairman: Jen-Hao Cheng

Signature

President: Jen-Hao Cheng

Signature

2. Certified Public Accountant Team's Review Report on Internal Control: None.

(X) Any penalty on the Company and its internal personnel according to law, and any penalty from the Company on its internal personnel for violating the provisions of the internal control system. The main defects and improvement situations: None.

(XI) Major resolutions of Shareholders' Meeting, the Board of Directors and the Audit Committee

1. Implementation Status of Resolutions from the 2022 Annual Shareholders' Meeting (May 26, 2022)

	Matters to be resolved	Implementation
1.	Approved the Company's final accounts for year 2021.	Approved the Annual Business Report and Financial Statements for 2021. Relevant statements and books have been filed with the competent authority for future reference, announcement and declaration in accordance with the Company Law and other relevant laws and regulations.
2.	Approved the Company's 2021 Earnings Distribution Plan.	The Company's 2022 Earnings Distribution Plan was approved through voting by the Shareholders' Meeting. It is determined that June 17, 2022 is the date of ex dividend and July 18, 2022 is the date of cash dividend distribution. The cash dividend is NT \$2.5 per share, with a total amount of NT \$ 343,205,000.
3.	Approved the amendment of part of the Articles of Incorporation of the Company.	The Company amended part of the Articles of Incorporation of the Company in accordance with the resolution of the Shareholders' Meeting.
4.	Approved amendments to part of the "Regulations for Acquisition or Disposal of Assets" of the Company	In accordance with the resolution of the shareholders' meeting, the Company amended some of the provisions of the "Regulations for Acquisition or Disposal of Assets".

2. Major Resolutions of Board of Directors

Date of the meeting	Term of meeting	Matters to be resolved	Resolution
2022.03.07	14th 14th	1. Discussion of the Company's Distribution Plan of Employees Compensation for the Year 2021 2. Manager's Employee Compensation and Year-End Bonus for 2021 3. Approved Parent Company Only Financial Statements, Consolidated Financial Report and Business Report for the Year 2021 4. Recognized the amount of external endorsement guarantee and funds lent to others as of the end of December 2021 5. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions 6. Proposed to provide endorsement guarantee for the Company's transferred investment subsidiaries 7. Proposed to issue a statement of internal control system for 2021 8. Proposed to assess the independence and suitability of the Company's CPAs. 9. Proposed discussion of the Earnings Distribution Plan for 2021 10. Discussed the time, venue and convening of the Annual Shareholders' Meeting for Year 2022 11. Proposed amendments to part of the Articles of Incorporation of the Company Proposed amendments to part of the "Procedures for Acquisition or Disposal of Assets" of the Company	Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors Approved by all attending directors Approved by all attending directors Approved by all attending directors Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting

Date of the meeting	Term of meeting	Matters to be resolved	Resolution
2022.05.09	14th 15th	1. Approved the Consolidated Financial Report for Q1, 2022 2. Review of Shareholders' Proposal Rights 3. Proposed revision of part of the "Standard Specification for the Internal Control System of Shareholder Units" of the Company	Approved by all attending directors Approved by all attending directors Approved by all attending directors
2022.05.26	14th 16th	1. Scheduled the ex-dividend date for cash dividend distribution for 2021	Approved by all attending directors
2022.08.10	14th 17th	1. Approved the Consolidated Financial Report for Q2, 2022 2. Approved the Manager's Employee Compensation Allocation Proposal for 2021 3. Changes for the Chief Operating Officer and Acting Spokesperson of the Company 4. Proposed the appointment of certified public accountants and their remuneration 5. The company intends to apply for comprehensive credit lines to financial institutions 6. Proposed organizational structure consolidation	With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present
2022.11.11	14th 18th	1. Approved the Consolidated Financial Report for Q3, 2022 2. The Company's proposal to donate to the "Cheng Huo-Tien Charity Foundation" 3. proposed recognition of capital reduction case of Chung Loong Paper Holdings Limited 4. Change of Spokesperson for the Company 5. New Information Security Plan for the Company 6. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions	With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present With the consent of all the directors present
2022.12.22	14th 19th	1. Proposal on Policy of the Company for the Year 2023 2. Annual Audit Plan of the Company for the Year 2023 3. Proposed establishment of the Company's "Internal Significant Information Processing Procedures" 4. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions 5. Proposed amendments to the provisions of the Company's "Measures for the Administration of Preventive Insider Trading" 6. The Company's cash capital increase proposal for "Shan-Loong Automobile Co., Ltd.", a subsidiary with 100% shareholding 7. Year-end bonus plan for the Company's managers for the Year 2022	With the consent of all the directors present, with the consent of all the directors present, with the consent of all the directors present, with the consent of all the directors present, with the consent of all the directors present, with the consent of all the directors present Approved by all attending directors Approved by all attending directors Approved by all attending directors

2023.03.13	14th 20th	1. Proposed discussion of the Company's Distribution Plan of Employees Compensation for the Year 2022 2. Proposed discussion of Manager's Employee Compensation and Year-End Bonus for 2022 3. Propose to Approve Parent Company Only Financial Statements, Consolidated Financial Report and Business Report for the Year 2022 4. Propose to recognize the amount of external endorsement guarantee and funds lent to others as of the end of December 2022 5. Proposed and discussed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions 6. Proposed renaming of the Company's "Code of Practice on Corporate Social Responsibility" 7. Proposed to issue a statement of internal control system for 2022 8. Proposed amendments to the Company's " Internal Control System for Stock Affairs Unit" 9. Proposed to assess the independence and suitability of the Company's CPAs. 10. Proposed development of general principles for the Company's pre-approval of unsure service policies 11. Proposed discussion of the Earnings Distribution Plan for 2022 12. Proposed full re-election of directors of the Company 13. It is proposed to ask the shareholders' meeting to lift the "prohibition of competition" of the next new director of the company and his representative. 14. Proposed amendments to part of the Articles of Incorporation of the Company 15. Proposed Corporate Governance Director 16. Proposal of the accounting policy of the Company to discuss the calculation method of inventory cost has been changed to the moving average method from January 1, 2023 17. Discussed the time, venue and convening of the Annual Shareholders' Meeting for Year 2023	Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors Approved by all attending directors Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors and submitted to the Annual Shareholders' Meeting Approved by all attending directors Approved by all attending directors Approved by all attending directors
------------	-----------	---	---

3. Major resolutions of the Audit Committee

Date of the meeting	Term of meeting	Content of motion	Resolution	The Company's response to the opinion of the Audit Committee
2022.03.07	2nd 13th	1. Approved Parent Company Only Financial Statements, Consolidated Financial Report and Business Report for the Year 2021 2. Recognized the amount of external endorsement guarantee and funds lent to others as of the end of December 2021 3. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions 4. Proposed to provide endorsement guarantee for the Company's transferred investment subsidiaries 5. Proposed to issue a statement of internal control system for 2021 6. Proposed to assess the independence and suitability of the Company's CPAs. 7. Amendments to part of the "Procedures for Acquisition or Disposal of Assets" of the Company	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.05.09	2nd 14th	1. Approved the Consolidated Financial Report for Q1, 2022 2. Proposed revision of part of the "Standard Specification for the Internal Control System of Shareholder Units" of the Company	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.08.10	2nd 15th	1. Approved the Consolidated Financial Report for Q2, 2022 2. Changes for the Chief Operating Officer and Acting Spokesperson of the Company 3. Proposed the appointment of certified public accountants and their remuneration 4. The company intends to apply for comprehensive credit lines to financial institutions	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.11.11	2nd 16th	1. Approved the Consolidated Financial Report for Q3, 2022 2. proposed recognition of capital reduction case of Chung Loong Paper Holdings Limited 3. Change of Spokesperson for the Company 4. New Information Security Plan for the Company 5. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.12.22	2nd 17th	1. Annual Audit Plan of the Company for the Year 2023 2. Proposed establishment of the Company's "Internal Significant Information Processing Procedures" 3. Proposed amendments to the provisions of the Company's "Measures for the Administration of Preventive Insider Trading" 4. Proposed the application of new comprehensive credit line and commercial promissory note line with relevant financial institutions	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2023.03.13	2nd 18th	1. Approved Parent Company Only Financial Statements, Consolidated Financial Report and Business Report for the Year 2022 2. Recognized the amount of external endorsement guarantee and funds lent to others as of the end of December 2022 3. Proposed the application of comprehensive credit line and commercial promissory note line with relevant financial institutions 4. Proposed renaming of the Company's "Code of Practice on Corporate Social Responsibility" 5. Proposed to issue a statement of internal control system for 2022 6. Proposed amendments to the Company's "Internal Control System for Stock Affairs Unit" 7. Proposed to assess the independence and suitability of the Company's CPAs. 8. The accounting policy of the Company to discuss the calculation method of inventory cost has been changed to the moving average method from January 1, 2023 9. Proposed development of general principles for the Company's pre-approval of unsure service policies	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval

4. Major resolutions of the Remuneration Committee

Date of the meeting	Term of meeting	Content of motion	Resolution	The Company's response to the opinion of the Remuneration Committee
2022.03.07	4th 8th	1. Proposed discussion of the Company's Distribution Plan of Employees Compensation for the Year 2021 2. Manager's Employee Compensation and Year-End Bonus for 2021	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.08.10	4th 9th	1. Approved the Manager's Employee Compensation Allocation Proposal for 2021	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2022.12.22	4th 10th	1. Year-end bonus plan for the Company's managers for the Year 2022	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval
2023.03.13	4th 11th	1. Proposed discussion of the Company's Distribution Plan of Employees Compensation for the Year 2022 2. Manager's Employee Compensation and Year-End Bonus for 2022	Approved by all attending Committee members	Reported to the Board of Directors of the Company for approval

(XII) Where a director or supervisor has different opinions on an important resolution adopted by the Board of Directors and has a record or written statement, state the major content: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President, Accounting Manager, Financial Manager, Internal Audit Supervisor, R&D and Chief Governance Officer of the most recent year and as of the Date of this Annual Report:

Position	Name	Date of Assumption of Duty	Date of Dismissal	Reasons for Resignation or Dismissal
Chief Operating Officer	Min-Peng Hsu	2021.05.15	2022.05.31	Personal Career Planning

IV. Information on CPA Professional Fees

Unit of amount: NT \$1,000

Accounting Firm	Name of CPA	Audit fee	Non-audit fee	Audit period	Notes
KPMG Taiwan	Samuel, Au Yiu Kwan	3,650	30	2022/1/1-2022/12/31	Internal adjustment of the office
	Lo, Jui-Lan			2022/1/1-2022/9/30	
	Yu-Ting Hsin			2022/10/1-2022/12/31	

Note: Note: non audit fees - others are provided for the audit and analysis of full-time employees who are not in charge of the position, NT \$ 30,000.

- (I) Where the proportion of non audit fees paid to the endorsing CPAs, the firm to which the endorsing accountant belongs and its Affiliates accounts for more than one fourth of the audit fees: as explained in the above table.
- (II) Where the CPA firm is changed and the audit fee paid in the year of change is lower than that in the year before the change: None.
- (III) Audit fees decreased by more than 15% compared with the previous year: None.

V. Replacement of CPA:

(I) About the former accountant.

Date of Change	Mach 13, 2023		
Reason and explanation for the Change	Coordinate with the internal organization of the CPA Firm		
Explain that the appointor or accountant terminates or does not accept the appointment	Party		Certified Public Accountant
	Situation		Appointed by
	Proactive Termination of Appointment		
	No longer accepting (continuing) appointments		N/A
Opinions and reasons for issuing audit reports other than unqualified opinions within the last two years	None		
Is there any disagreement with the publisher?	Yes		Accounting Principles or Practice
			Disclosure of Financial Reports
			Review scope or steps
			Others
	None	V	
	Instructions		
Other disclosures (those that should be disclosed in Article 10 (6) Item 1-4 to Item 1-7 of these Standards)	None		

(II) About the Successor Accountant

CPA Firm	KPMG Taiwan
Name of CPA	Samuel, Au Yiu Kwan, Yu-Ting Hsin
Date of appointment	Mach 13, 2023
Pre-appointment consultation on accounting treatment or accounting principles for a particular transaction and the opinions and results that may be issued on the financial statements	None
Written Opinions of Successor Accountants on Disagreements with Former Accountants	None

(III) Former accountants' responses to Item 1 and Item 2-3 of Article 10 (6) of this Standard: Not applicable.

VI. The Company's chairman, general manager, or any managerial officer in charge of finance or accounting matters has in the most recent year held a position at the accounting firm of its certified public accountant or at an affiliated enterprise of such accounting firm:

None.

VII. Any transfer of equity interests and/or pledge of or change in equity interests by a director, managerial officer, or shareholder with a stake of more than ten percent

Position	Name	2022		Current year as of March31, 2023	
		Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)	Shareholding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman and General Manager	Jen-Hao Cheng	—	—	—	—
Director and Vice Chairman	Lan-Hui Yu	—	—	—	—
Director	Cheng Loong Corporation	—	—	—	—
	Representative: Su-Yun Cheng	—	—	—	—
Director	Shine Far Construction Co., Ltd.	—	—	—	—
	Representative: Chuan-Chuan Lu	—	—	—	—
Director	Shine Far Co., Ltd.	—	—	—	—
	Representative: Ken-Pei Cheng	—	—	—	—
Director	Yen-Ming Chen	—	—	—	—
Independent Director	Yao-Ming Huang	—	—	—	—
Independent Director	Hsu-Feng Ho	—	—	—	—
Independent Director	Mao-Chun Wang	—	—	—	—
Vice President	Chen-Te Wang	—	—	—	—
Vice President	Yi-Nuo Chen	—	—	—	—
Vice President	Kuo-Nan Tsai	—	—	—	—
Oil Product Supervisor (Note 1)	Yung-Lung Lin	—	—	—	—
Finance Manager	Wei-Teng Hsiao	—	—	—	—
Accounting Supervisor	Yu-Cheng Yao	—	—	—	—
Audit Director	Kun-Lin Wu	—	—	—	—

Note 1: Yung-Shuang Lin, the oil supervisor, retired in July 2022.

Information on the counterparty of the equity transfer as a related party: None.

Information on the counterparty of the equity pledge as a related party: None.

VIII. Information on Concerned Relationship of Top Ten Major Shareholders

April 1, 2023

Name	Current Shareholding		Spouse's/Minor's Shareholding		Shareholding by Nominee Arrangement		Title or name and relationships of the 10 largest shareholders where they are related parties, spouses, or relatives within the second degree of kinship		Remark
	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Name	Relationship	
Cheng Loong Corporation	12,690,010	9.24	—	—	—	—	Cheng Loong Investment Co., Ltd.	Legal representative Director	
Representative: Cheng Jen-Ming	6,552,421	4.77	—	—	—	—	Shine Far Co., Ltd. Shine Far Construction Co., Ltd. Cheng Loong Investment Co., Ltd. Sun Favorite Co. Ltd.	Director Director Director Director	
Chiung-Miao Yeh	9,578,000	6.98	—	—	—	—	—	—	
Shine Far Co., Ltd.	8,367,944	6.10	—	—	—	—	Cheng Loong Corporation	Legal representative Director	
Representative: Cheng-Lung Cheng	68,000	0.05	866,450	0.63	—	—	Shine Far Construction Co., Ltd. Cheng Loong Investment Co., Ltd.	Chairman Chairman	
Shine Far Construction Co., Ltd.	6,743,227	4.91	—	—	—	—	—	—	
Representative: Cheng-Lung Cheng	68,000	0.05	866,450	0.63	—	—	Shine Far Co., Ltd. Sun Favorite Co. Ltd.	Director Director	
Jen-Ming Cheng	6,552,421	4.77	—	—	—	—	Cheng Loong Corporation Shine Far Construction Co., Ltd. Shine Far Co., Ltd. Cheng Loong Investment Co., Ltd. Sun Favorite Co. Ltd.	Chairman Director Director Representative of Institutional Director Director	
Special ESOP account of Shan-Loong Transportation Co., Ltd entrusted in CTBC Bank	4,877,680	3.55	—	—	—	—	—	—	
Representative: Kun-Lin Wu	—	—	—	—	—	—	—	—	
Cheng Loong Investment Co., Ltd.	4,871,034	3.55	—	—	—	—	—	—	
Representative: Cheng-Lung Cheng	68,000	0.05	866,450	0.63	—	—	Shine Far Construction Co., Ltd. Shine Far Co., Ltd.	Chairman Chairman	
Jen-Hao Cheng	4,328,876	3.15	—	—	—	—	Shine Far Co., Ltd. Shine Far Construction Co., Ltd.	Managing Director Director	
Sun Favorite Co. Ltd.	1,906,000	1.39	—	—	—	—	—	—	
Representative: Su-Yun Cheng	—	—	—	—	—	—	Shine Far Construction Co., Ltd. Shine Far Co., Ltd.	Chairman Chairman	
Yen-Ming Chen	1,800,000	1.31	181,733	0.13	—	—	—	—	

IX. Consolidated Shareholding Percentage

December 31, 2022

Reinvestment business (Note)	By Company		Investments by the Directors, managers, and companies directly or indirectly controlled by the Company		Consolidated Investment	
	Number of Shares (Shares)	Shareholding (%)	Number of Shares (Shares)	Shareholding (%)	Number of Shares (Shares)	Shareholding (%)
Shan-Loong Investment Co., Ltd.	40,000,000	100.00	—	—	40,000,000	100.00
Cheng Loong Corporation	19,376,137	1.75	115,801,458	10.45	135,177,595	12.20
Shan-Loong International Holdings Co., LTD	10,046,508	100.00	—	—	10,046,508	100.00
GemTech Optoelectronics Corp.	3,644,000	19.29	12,367,000	65.48	16,011,000	84.77
Ko Loong Industrial Co., Ltd.	2,014,000	19.75	2,580,000	25.29	4,594,000	45.04
Cheng Loong Investment Co., Ltd.	600,000	4.62	7,500,000	57.69	8,100,000	62.31
Shan-Loong Shipping Customs Declaration Co., Ltd.	13,100,000	100.00	—	—	13,100,000	100.00
Shan-Long Automotive Co., Ltd.	20,000,000	100.00	—	—	20,000,000	100.00
Shin Loong Life Co., Ltd.	350,000	5.83	3,000,000	50.00	3,350,000	55.83
Shine Far Co., Ltd	269,752	0.87	5,340,000	17.23	5,609,752	18.10
Yueh Loong Co., Ltd.	323,278	10.78	1,510,277	50.34	1,833,555	61.12

Note: The Company's long-term investment

Chapter 4. Capital Overview

I. Capital and Shares

(I) Source of capital

Year	Issue price (NT\$)	Authorized capital		Paid-in capital		Remark		
		Number of Shares (in Thousands)	Amount (NT \$1,000)	Number of Shares (in Thousands)	Amount (NT \$1,000)	Source of capital	Capital increased by assets other than cash	Others
2022	—	150,000	1,500,000	137,282	1,372,818	2019 Q2 Convertible Corporate Bond Conversion (2019.8.01 Granted No. 10801094770)	None	

(in thousands)

Type of Stock	Authorized capital			Remarks	Note
	Issued shares	Unissued shares	Total		
Common stock	137,282	12,718	150,000		

(II) Shareholder Structure

April 1, 2023

Shareholder Structure Number	Government agencies	Financial institutions	Other institutional shareholders	Domestic natural persons	Foreign institutions and individual shareholders	Total Amount
Number of shareholders	0	9	292	130,500	97	130,898
Shares	0	4,969,680	41,123,918	86,233,273	4,954,956	137,281,827
Shareholding (%)	0	3.62	29.96	62.81	3.61	100.00

Note: The first TWSE/TPEX listed companies and the emerging market listed companies should disclose their shareholding ratio of capital from mainland area; capital from mainland area refers to the people, legal entities, groups, other institutions in the mainland or their companies investing in the third region as stipulated in Article 3 of the Measures Governing Investment Permit to the People of Mainland Area.

(III) Stock Equity Distribution Status

1. Common Stock

Common shares/par value per share NT \$10

April, 2023

Shares held.			Number of shareholders (persons)	Number of shares held (shares)	Shareholding (%)
1	To	999	116,580	1,411,063	1.02
1,000	To	5,000	12,311	20,779,220	15.14
5,001	To	10,000	1,137	8,892,388	6.48
10,001	To	15,000	297	3,756,233	2.73
15,001	To	20,000	156	2,853,849	2.08
20,001	To	30,000	131	3,304,566	2.41
30,001	To	40,000	60	2,109,857	1.54
40,001	To	50,000	49	2,277,011	1.66
50,001	To	100,000	79	5,756,810	4.19
100,001	To	200,000	51	7,560,450	5.51
200,001	To	400,000	23	6,145,897	4.48
400,001	To	600,000	7	3,152,857	2.30
600,001	To	800,000	2	1,319,247	0.96
800,001	To	1,000,000	1	866,450	0.63
1,000,001 or more			14	67,095,929	48.87
Total			130,898	137,281,827	100

2. Preferred Share: None

(IV) List of Major Shareholders

Name of Major Shareholders	Shareholding Number of shares held (shares)	Shareholding (%)
Cheng Loong Corporation	12,690,010	9.24
Chiung-Miao Yeh	9,578,000	6.98
Shine Far Co., Ltd	8,367,944	6.10
Shine Far Construction Co., Ltd.	6,743,227	4.91
Jen-Ming Cheng	6,552,421	4.77
Special ESOP account of Shan-Loong Transportation Co., Ltd entrusted in CTBC Bank	4,877,680	3.55
Cheng Loong Investment Co., Ltd.	4,871,034	3.55
Jen-Hao Cheng	4,328,876	3.15
Sun Favorite Co., Ltd.	1,906,697	1.39
Yen-Ming Chen	1,800,000	1.31

(V) Information on market price, net worth, earnings and dividends per share in the last two years

Year \ Item		2021	2022	Current year as of March 31 (Note 9)
Market price per share (Note 1)	Highest	39.95	40.50	33.25
	Lowest	31.00	31.80	30.10
	Average	35.20	35.17	31.54
Net value per share (Note 2)	Before distribution	38.29	35.12	—
	After distribution	36.09	Note 8	—
Earnings per Share	Weighted average shares (thousand shares)	135,928	135,928	135,928
	Earnings per share before adjustment (Note 3)	3.06	2.13	—
	Adjusted earnings per share (Note 3)	—	—	—
Dividends per share	Cash dividends	2.5	1.7(Note 8)	—
	Free allotment	—	—	—
		—	—	—
	Accumulated undistributed dividend (Note 4)	—	—	—
Return on investment	P/E Ratio (Note 5)	11.50	16.51	—
	P/D Ratio (Note 6)	14.08	20.69(Note 8)	—
	Yield on cash dividend (Note 7)	7.10%	4.83%	—

Note 1: List the highest and lowest market prices of ordinary shares in each year, and calculate the average market price of each year according to the transaction value and trading volume of each year.

Note 2: Please refer to the number of shares issued at the end of the year and fill in the distribution according to the resolution of the Board of Directors or the next Annual Shareholders' Meeting.

Note 3: If retroactive adjustment is required due to the situation of free allotment, etc., the earnings per share before and after adjustment shall be listed.

Note 4: If the conditions for the issuance of equity securities stipulate that the dividends not paid in the current year can be accumulated until the surplus year, the accumulated and unpaid dividends up to the current year shall be disclosed respectively.

Note 5: $P/E \text{ Ratio} = \text{Average market price} / \text{earnings per share}$.

Note 6: $\text{Price/dividend ratio} = \text{Average market price} / \text{cash dividends per share}$.

Note 7: $\text{Cash dividend yield rate} = \text{Cash dividends per share} / \text{average market price}$.

Note 8: Adopted by the resolution of the Board of Directors on March 13, 2023. As of the date of publication of the annual newspaper, it has not yet been adopted by the regular meeting of shareholders.

Note 9: The data reviewed by the CPA for the most recent quarter of the Company is the first quarter of 2023.

(VI) Dividend Policy and Implementation Status

The Company's industrial can be combined with national economic growth, and its life cycle is in the stage of stable growth. On the basis of the Company's future capital needs and long-term financial planning, as well

as the shareholders' needs for cash inflow, if the Company has any surplus after the final accounts of each year, in addition to paying profit-making enterprise income tax according to law and making up for the losses of previous years, it shall first allocate 10% of the legal surplus reserve for the balance and special surplus reserve for the amount of shareholder's equity deduction in the current year, and allocate more than 30% of the rest to shareholders, of which the cash dividend shall not be less than 10% of the total dividend. However, if the cash dividend per share is less than NT \$ 0.1, it will not be paid, but a stock dividend. If there is a reduction in shareholders' equity accumulated in the previous year or occurred in the current year but the after tax surplus of the current year is insufficient to be set aside, a special surplus reserve of the same amount shall be set aside from the accumulated undistributed surplus of the previous year and deducted before allocation and distribution. If the dividend and bonus per share are less than NT \$0.5, the surplus distribution in the preceding paragraph may be exempted.

The Company proposed cash dividend of NT \$1.7 per share of dividend distribution for 2022 and is pending for resolution of the Annual Shareholders' Meeting.

- (VII) The impact of the free allotment proposed at the Shareholders' Meeting on the Company's operating performance and earnings per share

There is no proposed allotment of stock dividends in this year, so it is not applicable.

- (VIII) Remuneration for employees and Directors

1. The number or scope of the remuneration of employees and Directors contained in the Company's Articles of Incorporation:

According to Article 19 of the Articles of Incorporation, the Company shall allocate no less than 1% of the pre tax profit for the current period before deducting the employee's remuneration. But the Company shall reserve a portion of profit to make up for accumulated losses, if any. Employees' compensation may be distributed in shares or cash, and the counterparty to whom shares or cash are distributed as employees' compensation may include the employees of its controlled or subordinate companies that meet certain criteria. The allocation and ration of Employee remuneration must be approved by the Board of Directors in a meeting attended by more than two-thirds of all Board members, where half of the attending Directors approve. The remuneration resolution shall be reported in the Annual Shareholders' Meeting. Where the Board of Directors has adopted a resolution in the preceding paragraph to pay remuneration to employees in the form of shares, it may adopt the same resolution to issue new shares or buy its own shares.

2. The basis for estimating the amount of employee and director remuneration listed in the valuation, the basis for calculating the number of employee remuneration distributed by shares, and the accounting treatment when the actual amount of distribution differs from the estimated amount.

- (1) The basis for estimating the amount of employee remuneration listed in the valuation, the basis for calculating the number of employee remuneration distributed by shares, and the accounting treatment when the actual amount of distribution differs from the estimated amount:

The basis of the valuation is based on the actual operating results of the current year, in accordance with the provisions of the Articles of Incorporation and taking into account the actual distribution situation of previous years. However, if there is a difference between the amount of distribution decided by the subsequent Shareholders' Meeting and the estimated amount, it shall be regarded as a change in accounting estimation and listed as the profit and loss of the actual distribution year.

- (2) The basis for the valuation of Directors' remuneration amounts and the basis for the calculation of the number of shares distributed by shares: not applicable.

3. The approval of distribution of remuneration by the Board of Directors:

- (1) The amount of employee remuneration and directors' remuneration distributed in cash or shares. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The remuneration for employees proposed by the Board of Directors: cash of NT \$22,000,000; the remuneration for Directors: NT \$0 and no discrepancy with the estimated amount of recognized expenses.

- (2) The amount of employee remuneration to be paid in stocks out of the current company-level financial report in terms of the sum of net profit after tax and employee remuneration: the Company didn't pay any employee remuneration in stocks.

4. The actual distribution of remuneration of employees and directors in the previous year:

The actual distribution of remuneration to employees and directors of the Company in the previous year did not differ from the recognized amount.

Employee remuneration - cash of NT \$22,000,000, distributed on

September 20, 2022; Directors' remuneration: None.

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

(X) Status of Corporate Bonds: None.

(XI) Status of Preferred Stocks: None.

(XII) Issuance of GDR/ADR: None.

(XIII) Employee Stock Options None.

(XIV) Issuance of New Restricted Employee Shares: None.

(XV) Status of Issuance of New Shares in Connection with Mergers and Acquisitions: None.

II. Finance Plans and Implementation: None.

Chapter 5. Operations Overview

I. Business Activities

(I) Business Scope

1. Major business of the Company

- | | | |
|------|---------|---|
| (1) | G101061 | Automobile Cargo Transportation Business |
| (2) | G101081 | Automobile Container Transport |
| (3) | CD01030 | Automobiles and Parts Manufacturing |
| (4) | JA01010 | Automotive Repair and Maintenance |
| (5) | F114010 | Wholesale of Automobiles |
| (6) | F114030 | Wholesale of Motor Vehicle Parts and Supplies |
| (7) | F214010 | Retail Sale of Automobiles |
| (8) | F214030 | Retail Sale of Motor Vehicle Parts and Supplies |
| (9) | G801010 | Warehousing and Storage |
| (10) | F112010 | Wholesale of Gasoline and Diesel Fuel |
| (11) | F112040 | Wholesale of Petrochemical Fuel Products |
| (12) | F212011 | Gas Stations |
| (13) | F212050 | Retail Sale of Petroleum Products |
| (14) | J101090 | Waste Disposal |
| (15) | J101030 | Waste clean-up |
| (16) | E599010 | Pipe Lines Construction |
| (17) | F107170 | Wholesale of Industrial Catalyst |
| (18) | F113100 | Wholesale of Pollution Controlling Equipment |
| (19) | F213100 | Retail Sale of Pollution Controlling Equipment |
| (20) | F401010 | International Trade |
| (21) | I103060 | Management Consulting Services |
| (22) | I301010 | Information Software Services |
| (23) | I301020 | Data Processing Services |
| (24) | J101040 | Waste management |
| (25) | J101050 | Environmental Testing Services |
| (26) | J101060 | Wastewater (Sewage) Treatment |
| (27) | JA02051 | Weights and Measuring Instruments Repair |
| (28) | F113060 | Wholesale of Measuring Instruments |
| (29) | F213050 | Retail Sale of Metrological Instruments |
| (30) | F401181 | Measuring Instruments Import |
| (31) | I301040 | Third-Party Payment Services |
| (32) | ZZ99999 | All business items that are not prohibited or restricted by law, except those that are subject to special approval. |

2. Operating Percentage (2022)

Main Business Activities	% of turnover
Automobile Transportation	26%
Gas Stations	74%
Total	100%

3. Main products and services

The Company is engaged in container transportation, bulk transportation, dangerous goods transportation, oil transportation, vehicle sales, Vehicle repair, vehicle inspection and petrol station business.

4. New products or services planned for development

Plan mobile payments and promote cloud vehicles, add self-propelled refuellers, and provide customers with convenient services.

(II) Development status of the industry

1. Overview of the Gas Stations

According to the Oil Price Information Management and Analysis System of Bureau of Energy, Ministry of Economic Affairs, from 2018 to 2022, the total number of gas stations in the past five years is as follows:

Year	2018	2019	2020	2021	2022
Number of stations	2,483	2,497	2,485	2,508	2,484

Top 10 Gas Station Turnover in the Past Five Years

TOP10	2018	2019	2020	2021	2022
1	CPC Corporation	CPC Corporation	CPC Corporation	CPC Corporation	CPC Corporation
2	National Petroleum Corporation	National Petroleum Corporation	National Petroleum Corporation	National Petroleum Corporation	National Petroleum Corporation
3	Formosa Oil	Formosa Oil	Formosa Oil	Formosa Oil	Formosa Oil
4	Shan-Loong Transportation Co., Ltd.	Shan-Loong Transportation Co., Ltd.	Shan-Loong Transportation Co., Ltd.	Shan-Loong Transportation Co., Ltd.	Shan-Loong Transportation Co., Ltd.
5	Formosa Taffeta Co., Ltd.	Formosa Taffeta Co., Ltd.	Formosa Taffeta Co., Ltd.	Mech Smile	North-Star International Co., Ltd.
6	Mech Smile	Mech Smile	Mech Smile	Taiwan Sugar Corporation	Mech Smile
7	Taiwan Sugar Corporation	Taiwan Sugar Corporation	Taiwan Sugar Corporation	North-Star International Co., Ltd.	Taiwan Sugar Corporation
8	North-Star International Co., Ltd.	North-Star International Co., Ltd.	North-Star International Co., Ltd.	Caltex Taiwan Corporation	Formosa Taffeta Co., Ltd.
9	Evergreen International	Evergreen International	Tai Da Gas Station	Formosa Taffeta Co., Ltd.	Evergreen International
10	Tai Da Gas Station	Tai Da Gas Station	Evergreen International	Tai Da Gas Station	Tai Da Gas Station

Source: CRIF Credit Information Database

Explanation: This table is based on the company's annual individual revenue ranking of Taiwan's top 10 operators.

The Company's Oil Products Division is located in the downstream of the oil market, and the gas station industry belongs to the domestic demand industry of people's livelihood, providing steam, diesel retail, exquisite manual car washing, automobile routine inspection and environmental testing services. Industry fluctuations are relatively stable relative to other industries, but in recent years due to the saturation of Taiwan's gas stations (the total number of gas stations in the past five years is $2,500 \pm 20$ stations), the development of potential gas stations is difficult to find, the competition between chain gas stations for renewable rents and rental new stations is fierce, coupled with the increase in rents, land purchase costs, basic wages, labor shortages in recent years, the rising operating costs are becoming increasingly severe, and due to the acceleration of the global energy transition, with the popularity of renewable energy and the popularity of electric vehicles The future gas station industry may face tremendous changes.

The growth rate of electric vehicles is constantly increasing. According to the International Energy Agency (IEA), the number of electric vehicles in the world was only 17,000 in 2010, and by 2020, the number has grown to 10 million. The number of electric vehicles worldwide is expected to reach 250 million by 2030. And the European Union plans to ban the sale of new gasoline and diesel vehicles by 2035, and the Taiwanese government's decision to ban the sale of fuel vehicles by 2040 has put Taiwan's gas station operators under severe test.

In response to the impact of major environmental changes, the company has increased the number of battery swapping stations at various gas stations to meet the needs of electric vehicle routes; comprehensively set up self-service refueling equipment and systems to solve the labor shortage dilemma; develop and integrate member app reserves and vehicle identification systems to lead the industry; properly provide consumer demand and improve self-service refueling utilization through marketing, humanized self-service refueling interface, and diversified payment methods. At the same time, the company provides routine declaration and testing requirements for peers and related industries across the foot environmental testing, more diversified services, more professional information, and more avant-garde business concepts, and establishes a new market business model to become a model in the same industry.

2. Overview of Automobile Freight

According to the statistics of the Ministry of Economy and the Automobile Transport Association of Taiwan, the number of trucks in Taiwan is about 165,000, most of which are small trucks and medium-sized trucks, accounting for 51% and 36%, respectively, and large trucks account for 13%, and the total industry turnover is from NT \$1.8 trillion in 2019, which is estimated to reach NT \$2.1 trillion

by 2023.

Land distribution includes "automobile freight ", "express home delivery ", "postal " and "warehouse ", of which "automobile freight " business scale is far ahead, is an important pillar in the field of land transportation, automobile freight is an important link between production and consumption, with the surge in demand in the logistics industry in the rapid development of the transportation industry. Transport is known as the blood vessels of the logistics industry, is the basis of the logistics industry, is the realization of material circulation to create the time value of logistics, the basis of the value of space, without transportation, everything became worthless to discuss.

After the impact of the 2018 US-China trade war, the COVID-19 pandemic at the end of 2019, as well as the military conflict between Ukraine and Russia and rising global inflationary pressures, the impact of the local epidemic has waned in the second half of 2022. Raw material prices such as crude oil fell and the comparative base period advanced, domestic inflationary pressure is expected to moderate, domestic demand consumption and related industries to improve performance, so that the economic support from export to domestic demand, although the domestic semiconductor high-end production capacity has been developed and the leading edge of the process, export momentum is expected to continue, so that the transport industry will also be expected to gradually pick up. With the increasing development of science and technology, transportation industry has gradually moved towards the development of digitalization and environmental protection, and the slogan of digital transformation has also been implemented in various industries.

The Company's main transportation systems are container transportation, intra-island sales transportation, logistics warehousing, container distribution and other businesses. In this year, container distribution business has planned to operate new projects to emphasize the provision of integrated transportation services, including heavy machinery handling, import and export container loading and dismantling and other projects, and the development of opensource innovation. Improve the development of the automobile and freight industry to achieve economic benefits and service quality, improve intensification, scale, operating level and market concentration, but also for the Division of industry specifications for operation planning, industry self-discipline, self-management capabilities and technical service level, will lead the Division to the development of new industries to create a market pattern to consolidate customers to achieve win-win development, and strive for a variety of large-scale transport bids, stabilize customer sources,

drive economic circulation capacity to match the new projects of automobile companies to improve profitability as the main goal.

(III) Technology and R&D Overview

The company's main business is the operation of land freight and gas stations, and there is no dedicated R&D unit. However, the company continues to carry out the goals of enterprise E and M (mobile commerce), combining multi-factor authentication mechanisms to build a zero trust environment to improve relevant information security. In addition, the Company makes full use of cloud technologies and services, utilizes the latest network technology and digital technology integration, transfers important systems to the cloud platform, and uses its high scalability to rapidly expand hardware resources to reduce system bottlenecks. Company also uses the high stability of cloud services to make services uninterrupted, provides flexible services so that information personnel do not need to install relevant application services from scratch, and eventually makes cloud services more secure to use because cloud service providers have professional information security experts. In the future, the company will continue to use the latest information technology to integrate the transportation and refueling business, so that employees can have a better operating users' experience internally, and customers can get faster and more convenient services externally.

(IV) Long-term and Short-term Development Plan

1. Short-term:

(1) All-round revenue growth:

The establishment of an industrial full self-service gas station ensures the leading position in the diesel market, grabbing into existing and new large-scale transportation bids, coupled with the simultaneous focus of shipping, warehousing and logistics on all-in-one development business for large group customers, and expect the overall revenue will reach to a higher level.

(2) The most efficient and effective way to operate:

Horizontal integration and reduction of supplier quantity, combined with the introduction of a new management system in each division, reduce excessive operating costs and redundant expenses, so that human resources can be used most efficiently to achieve the highest per capita output value.

(3) Creating a new cycle of benefits:

Vertical downward rooting to the supply chain, for the supplier to the vehicle as the starting point of the surrounding demand, such as vehicles, diesel, warranty, tires and so on. This can contribute to the additional economic benefits, strengthen the link of cooperation.

(4) Asset activation and self-ownership:

Utilize and create the utilization value and non-operating income of idle assets, replace and purchase new more efficient equipment to save energy and reduce maintenance costs, and replace the rental cost of leased assets with the interest expense of purchased assets to achieve the goal of cost assetization.

(5) Informatization with digitalization in real-time management:

The introduction of the new ERP is complemented by the management system of each business unit and the quantitative management indicators, so that the core operation team can grasp the most real-time operational performance, provide analysis of various data to help the core team make the most correct decision policy, and fully control the company's operation.

2. Long-term:

- (1) The continually expansion of domestic bases ensures the leading position in the diesel market, grabbing into existing and new large-scale transportation bids, coupled with the simultaneous focus of shipping, warehousing and logistics on all-in-one development business for large group customers, and the overall revenue will enter a higher scale.
- (2) Streamlined and efficient operations, horizontal integration and reduction of supplier quantity, combined with the introduction of a new management system in each division, reduce excessive operating costs and redundant expenses, so that human resources can be used most efficiently to achieve the highest per capita output value.
- (3) Sustainable operation, resource integration, creating circular benefits, and addressing the surrounding needs for the supplier to the vehicle as the starting point of the surrounding demand, such as vehicles, diesel, warranty, tires, ...etc., can contribute to the additional economic benefits, strengthen the link of cooperation.
- (4) Activate and own assets, utilize and create the use value of idle assets and non-operating income, replace and newly purchased more effective equipment, and replace the rental cost of leased assets with the interest expense of purchased assets to achieve expense assetization.
- (5) Information real-time management, the new ERP introduction is supplemented by the management system of each business unit with quantitative management indicators to provide real-time operational performance and various data to help the

operation team make correct decisions and take full control of the company's operation.

II. Market and Sales Overview

(I) Market Analysis

1. The Company mainly provides transportation services such as in-island cargo containers, bulk, logistics and gas station services, all of these are domestic sales.
2. With the liberalization of competition in the domestic oil market, price reduction and promotion and the rise of the rental cost of gas stations, the operation of gas stations has entered into an era of low profits. The gas station operators have changed their marketing strategies, strengthened the alliance of different industries and issued joint gas cards to create more revenue. At present, CPC still stands on the highest share in the domestic gas station industry. In terms of oil brands, the top ones are CPC and Formosa Petrochemical Corporation. Since the first Shan-Loong gas station established in 1998, through continuous efforts, the Company has 77 gas stations now, which are located all over Taiwan. The oil distribution volume and market share are growing steadily. The inventory value loss due to falling oil price, originally caused by oil price fluctuation, which is unaffordable to ordinary gas station channels. Because of the uncertainty, company has implemented inventory management to cope with positive & negative impact from oil price fluctuation.

The Company has been engaged in transportation services for a long time. From the initial freight and container transportation to the current logistics warehousing and shipping customs declaration, the Company provides one-stop services of customs declaration, loading carrier and transportation. The Company has obtained ISO14001 certification, and the scope of certification includes automobile repair and gas station business in addition to the existing transportation and logistics business.

3. Competitive niches, favorable and unfavorable factors for future development, response measures

(1) Award History

- a. The Company has strict self-requirements for quality, and has passed ISO 9001 International Quality Management System Verification, SQAS Road Transportation Safety and Quality Evaluation System Verification, ISO 14001 International Environmental Management System Verification, OHSAS18001 Occupational Safety and Health Evaluation System Verification and TTQS Training Quality Talent Development Quality Management System Appraisal for 2018 Bronze Medal.

- b. The Winner of World Magazine's Top 2000 Survey 2018: 89th in the Service Industry
- c. In 2019, the Company passed the annual assessment of the Road Transportation Safety Quality Assessment System (SQAS) of the General Management Office of Formosa Plastics Co., Ltd. and won the seventh place in the warehousing and cargo industry of "Taiwan's Large Enterprise Ranking Top 5000".
- d. In 2020, the Company's Environmental Remediation Lab passed the Qualification Permit of the Environmental Inspection and Measurement Organization, and Shan-Loong Customs Declaration, the subsidiary, also won the recognition of Excellent Customs Declaration.
- e. In 2021, the Company was honored by the Internal Revenue Service with the "Outstanding Operator" award.

(2) Favorable factors

- a. There are operation locations in north, central, and south of Taiwan, which provide customer service over a wide area, improve the vehicle availability, and create dual-effect travel.
- b. Gas stations are located throughout the province, providing transportation oil for the same industry is also better for customer base development than other operators. By careful evaluation, the Company establishes operation locations on the basis of profit priority.

(3) Unfavorable Factors

The rise in the price of various raw materials, the increase in procurement and employment costs, as well as the increase in the cost of input equipment that should meet the standards of various environmental protection laws and regulations of the government. Moreover, due to the rising awareness of environmental protection and climate change issues, governments of various countries take reducing carbon emissions in the transportation sector as one of the important objectives, actively promote the development of electric vehicles, invest a lot of resources in building charging station equipment, and provide subsidies for the purchase of electric vehicles to replace fuel vehicles, all of which are unfavorable to the operation of gas stations.

(4) Response Measures

Looking forward to the future, more attentions will be paid to environmental protection. The company will improve vehicle maintenance and replace the old with the new, introduce low

pollution models, and set up a special unit of the environmental protection department to deal with the environmental protection business of the oil department, so as to comply with the provisions of relevant laws and regulations on environmental protection. In addition to price and sales promotion, the gas stations are also engaged in diversified commodity sales and services, such as car washing service, establishing charging (replacing) power station, etc.

(II) Important Uses of the Main Products and the Production Process

- (1) Container transportation: the Company is specialized in import and export container transportation, from the terminal container yards to the customer factories, cooperate with the dispatching yard and hanging container operation in each district, integrate the transportation network all over the province and provide high-quality services.
- (2) Bulk transportation: the Company is engaged in carrying raw materials and finished goods, including flat and dump trucks as well as dumping operations, providing professional services for in-island transportation.
- (3) Dangerous goods transportation: the Company provides chemical tanks and various dangerous goods transportation services, and passed the SQAS European Transportation Safety and Quality Assessment Certification (Chemical Storage and Transportation).
- (4) Oil transportation: the Company has built new oil tank trucks to carry the transportation For CPC Oil and Formosa Plastic Oil, expanding the new business.
- (5) Sales of automobiles: Sales of DAF Vehicles.
- (6) Automobile Repair and Inspection: auto repair plants are established in north, central and south of Taiwan, and inspection services are launched, too. In addition, each of Shan-Loong's automobile is equipped with advanced equipment such as GPS, image recording DVRs, etc., which provides multiple protection to achieve the customers' mission.
- (7) Gas station business: Shan-Loong has set up direct-operated gas stations on all major transportation routes and nearby densely populated areas to provide consumers with high-quality oil products and services. The Company focuses on “pure, adequate, satisfactory, and safe” oil service for customers.

(III) Supply of Primary Raw Materials

The Company's oil products are mainly for gas station operations. The oil products are from two major domestic suppliers, CPC and Formosa Plastics, both of which have signed supply contracts. The supplies are in

good condition.

(IV) List of customers who accounted for more than 10% of total sales in the last two years

1. Information of major suppliers in the most recent two years

Unit: NT \$1,000

Item	2021				2022			
	Name	Amount	% Of annual net purchase	Relationship with the Issuer	Name	Amount	% Of annual net purchase	Relationship with the Issuer
1	CPC	9,287,220	76.01	None	CPC	10,023,928	75.07	None
2	Formosa Petrochemical	2,930,924	23.99	None	Formosa Petrochemical	3,328,912	24.93	None
	Net purchase	12,218,144	100.00		Net purchase	13,352,840	100.00	

2. The Major Customers in the Last Two Years

Unit: NT \$1,000

Item	2021				2022			
	Name	Amount	Percentage in Total Net Sales %	Relationship with the Issuer	Name	Amount	Percentage in Total Net Sales %	Relationship with the Issuer
1	Cheng Loong and its subsidiaries, etc.	1,476,881	7.85	The company is a legal entity director of the Company	Cheng Loong and its subsidiaries, etc.	1,908,046	10.30	The company is a legal entity director of the Company
2	Others	17,335,282	92.15	—	Others	16,610,717	89.70	—
	Net sales	18,812,163	100.00		Net sales	18,518,763	100.00	

3. The reasons for the increase or decrease: None

(V) Production value table of the last two years: N/A. The company is specialized in transportation and oil service.

(VI) The Company's sales business as follows

1. The Company's transportation business: NA.

2. The Company's oil products business as follows.

Unit: KL: NT \$1,000

Year Production amount Major products	2021				2022			
	Domestic		Overseas		Domestic		Overseas	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Premium Diesel	410,038	9,448,440	—	—	374,528	9,292,807	—	—
Unleaded Gasoline 92	33,489	771,671	—	—	32,373	873,723	—	—
Unleaded Gasoline 95	117,669	2,711,417	—	—	113,343	3,204,963	—	—
Unleaded Gasoline 98	9,164	211,171	—	—	9,018	270,801	—	—
Secondary Products	—	12,683	—	—	—	12,069	—	—
Total	570,360	13,155,382	—	—	529,262	13,654,363	—	—

III. Employee Profile

Number of Employees, Average Years of Services, Average Age and Employee Academic Background in the Previous Two Years Before the Publication of the Annual Report

Year		2021	2022	Current year as of March 31st, 2023
Number of employees	Management Staff	121	80	131
	Administrative Staff	511	472	344
	Field Staff	1,254	1,022	1,133
	Total	1,886	1,574	1,608
Average Age		34.62	34.62	36.37
Average year of services		6.05	6.05	6.10
% Education	PhD	—	—	—
	Master	0.74%	1.21%	1.05%
	University	40.03%	40.24%	43.09%
	High school	46.61%	43.36%	41.67%
	Below high school	12.62%	15.19%	14.18%

IV. Environmental Protection Expenditures

(I) Losses in recent years due to environmental protection: None

(II) Response Measures

The Company's security department and environmental protection department are responsible for dealing with the requirements of various environmental protection laws and regulations. The fuel dispenser is equipped with an oil and gas recovery system to reduce the oil and gas at the gas station as well as reduce the concentration of harmful substances. The company regularly monitors the soil gas of the gas stations and the liquid tightness of the oil basin of the fuel dispenser and sets up sewage treatment and recovery equipment for the car washing machine, which can effectively prevent the pollution of air, soil and water.

The tractors used by the transportation department and logistics department are inspected by the environmental protection unit and the road supervision unit at the time of purchase and can be licensed for operation only after the exhaust emission meeting the specified standards. All transportation equipment of the company shall be maintained regularly. When the driver finds any abnormal, it shall be immediately handed over to the maintenance unit for complete repair. After the inspection and meets the specified standards, it can be handed over to the dispatching department for operation. Looking forward to the future, great importance is attached on environmental protection. The Company will strengthen automobile repair and replace old vehicles with new ones, and introduce low-pollution

vehicles to comply with the relevant laws and regulations on environmental protection.

The Company has passed the ISO 14001 International Environmental Management System Certification and the OHSAS18001 Occupational Health and Safety Assessment System Certification. In order to comply with environmental protection laws and regulations and sustainable operation, the Company is committed to the continuous improvement on the principle of energy conservation, carbon reduction and environmentally friendly.

V. Protective Measures for Working Environment and Personal Safety of Employees

The Company is committed to providing a safe and healthy working environment for its employees, and has established the Department of Safety and Security to promote the integration of various businesses. It has obtained the OHSAS18001 certification, and has used various items to manage the working environment to provide employee health and safety, and regularly inspected related equipment to prevent occupational hazards.

In order to ensure the safety and health of employees, the Company has established the Employee Service Safety and Health Manual, in accordance with the quality policy of "safety, economy, promptness and responsibility" and the safety and health policy of "all employees participating, safety first and disaster zeroing". The Company will continue to promote safety and health management activities, create a good working environment and provide employees with a safe, comfortable and healthy working environment.

The Company has established relevant regulations and measures and has consistently implemented them to ensure the safety of employees and maintain a good working environment.

1. The Company has established safety and health policy management procedures.
2. The Company has established the implementation measures for staff safety and health education and training.
3. The Company has established the management methods for employee health protection.
4. The Company has established the management methods for maternity health protection of female employees.
5. The Company has established the methods for the investigation and handling of occupational hazards and accidents.
6. The Company strictly controls the entry and exit of personnel, and has a monitoring system and gated facilities to ensure the personal safety of employees.
7. The company conducts an annual medical examination, providing hygiene education information, personal health guidance, and follow-up check-ups.

VI. Labor Relations

- (I) The Company's employee benefits for studying, training, pension systems and its implementation status as well as labor agreements and measures for preserving employee rights and interests.

1. Employee Benefits Measures and Implementation Situation

The Company attaches considerable importance to the welfare of its employees, and has established an Employee Welfare Committee in accordance with the regulations, and has various welfare measures for employees, including meal supply, wedding ceremonies, funeral services, birthday celebrations, travel and recreation, accident disaster relief, and family members' illnesses.

Medicaid, model employee recognition, maternity congratulations, disability compensation, labor insurance, winter and summer uniforms, children's education scholarships and so on. On January 1, 2018, the Measures for Enforcing the Preferential Benefits for Colleagues was amended to increase the number of preferential benefits applied for such as the wedding ceremony for colleagues, the wedding ceremony for colleagues' children, the birth celebration fund for colleagues, and the funeral rites funds.

2. Employee development, training and implementation

The Company has a vocational training team, which is responsible for arranging the Company's education and training plan and promoting the digital learning system. Regardless of the new personnel, administrators, operators and supervisors, they participate in further training on schedule.

3. Retirement system and implementation

The Company's retirement pension system is handled in accordance with the relevant provisions of the Labor Standard Act. The Company makes defined benefit plan contributions to the pension fund account at the Bank of Taiwan that provides pensions for employees upon retirement. Actuaries are also appointed every year to actuary the pension.

The new system of retirement was implemented since July 1, 2005. Under the new system, the Company allocates at least 6% of each employee's (who select the new system) monthly wages to the labor pension personal account.

4. Situation of Labor and Management Relations

All rules and regulations regarding labor and management of the Company are in accordance with the Labor Standard Act. Various meetings are held to pay attention to employees' opinions, stabilize employees' lives and establish relatively harmonious labor and

management relations through the welfare system.

5. Measures to safeguard the rights and interests of employees

The Company passed the OHSAS18001 Occupational Safety and Health Assessment System verification in 2006.

The Company has well-established management rules that specify the rights and obligations of colleagues and the items of benefits, and the specialized personnel unit regularly reviews and revises the benefits in order to safeguard the rights and interests of all employees.

(II) The Company's employee education and training planning and implementation for 2022

Under the influence of the uncertainty of the epidemic in 2022, personnel training is still planned and designed according to the company's annual goals, and priority is given to safety and regulatory courses:

1. Driver on-the-job education "professional courses" invites all district supervision offices and police brigade instructors to do driving safety and defense driving courses and fire drills, prepare for SQAS certification, supplemented by the industry's innovative use of mobile phone technology line group, do team driving regulations, professional knowledge risk management, for the establishment of big data control center forward.
2. In accordance with the company's policies and information, the new ERP system will be implemented, and video and practical operation training will be carried out to achieve the target of on-line training.
3. Planning new management personnel, management personnel, webmaster training, because the organization and system updates continue to be included in the training improvement.
4. In order to improve the profitability of transportation planning "toxic substances transportation emergency response to laws and regulations" training, it was originally planned to adopt a centralized opening mode, due to the number of people, stairs, shifts shortage factors, to send seven people to the nearest county to obtain a license.
5. Assist the district security regulations license training to meet the ISO series, AEO core certification required courses. In addition to obtaining 359 valid certificates, professional accounting, auditing, and PMP also obtained certificates to enhance competitiveness.

In accordance with the PDDRO process planning, despite the instability of the external epidemic, the operation of the new system and the change of personnel, efforts were made in the current year to train talents and assist the security unit 1. Passed ISO 9001.14001.45001 external audit certification and AEO certification, 2. Prepare for SQAS project validation by conducting a Driving Safety and Defense course 3. Continue to do the first training and retraining courses of the statutory certificate of

occupational health, and obtain 359 valid certificates and certificates. The total cost of the training was NT\$989,735, the total number of training was 632, and the training hours were 4,160 hours to improve the achievement of the annual goals of each unit.

Statistics of the Company's Employee Education and Training for Year 2022

Functional Category	Target	Course	Total	Total hours	Total Fee
Operational management function	Senior and middle-level supervisors	1	1	65	46,805
Core Professional Functions	Intermediate, Grassroots Colleagues	4	33	98	35,000
Grass-roots management functions	Mid-level, grass-roots management colleagues	12	208	712	197,000
Functions by Assignment	Grassroots, management colleagues	6	31	29	58,000
Regulatory Certificate Functions	Grassroots, Drivers, Gas Workers	136	359	3,256	652,930
Digital Learning Functions	Intermediate, Grassroots Colleagues	0	0	0	0
Total		159	632	4,160	989,735

(III) The loss caused by labor and management disputes (including labor inspection results in violation of the labor standards, the date of disciplinary action, disciplinary action number, disciplinary action in violation of laws and regulations, content of violation of laws and regulations, content of disciplinary action), during the latest year and up to the printing date of this annual report. The Company shall also disclose the estimated amount of current and future events and the measures to be taken, and if it cannot be reasonably estimated, it shall state the fact that it cannot be reasonably estimated.

Date of Punishment	Number of Punishment	Violation of the Provisions of the Law	Violation of the Content of the Law	Content of the Punishment
January 22, 2020	GA Labor No. 10900113031	Paragraph 2, Article 59 of the Labor Standards Act	Failure to compensate workers for their original wages due to occupational accidents in accordance with the law	Penalty of NT \$20,000
August 26th, 2020	LVA No. 1090203575	Item 1 of Article 6 and Paragraph 2 of Article 43 of Occupational Safety and Health Act	Failure to take necessary facilities to prevent collapse of materials such as bundles in accordance with the law, resulting in occupational injuries caused to employees injured by collapse of the upper layer of paperboard	Penalty of NT \$60,000
September 24th, 2020	KCLR No. 10938898200	Article 24 and Article 30 (6) of the Labor Standards Act	Extension hours were not paid in payroll	Penalty of NT \$100,000
January 26th 2021	2021 TSC No. 92 Civil Ruling	Paragraph 5, Article 11 of the Labor Standards Act	Request confirmation of the existence of an employment relationship, etc.	Salary of NT \$2,290,000
March 10, 2021	Kaohsiung District Court No. 6 Conciliation Record of 2021	Articles 24, 39 and 40 of the Labor Standards Act	Payment for overtime	Settlement of NT \$200,000
August 18, 2021	KCLR No. 11036485500	Article 59 of the Labor Standards Act Labor Standards Act Labor Standards Act Labor Standards Act	Failure to compensate workers for occupational accidents in accordance with regulations	Penalty of NT \$20,000
September 12, 2022	New Taipei Province Labor Inspection No. 1114759218	Article 24 of the Labour Standards Act	Extending working hours without adding to wages according to regulations	Penalty of NT\$96,000
October 15, 2022	Government Labour Law No. 1110133105	Article 32 (2) of the Labor Standards Act Article 34 (2) of the Labor Standards Act Article 36 (1) of the Labour Standards Act Article 39 of the Labour Standards Act	Extending working hours exceed the maximum hours of overtime Shift hours do not meet the minimum of 11 consecutive hours of rest. Making the worker turns out for work for more than 7 consecutive days on holidays without doubling the salary	Penalty of NT \$200,000
November 28, 2022	Punishment by the government 1110251131	Article 32 (2) of the Labour Law	Extending working hours beyond statutory regulations	Penalty of NT \$20,000
December 19, 2022	2022 Labor Standards Word 1 No. 1113431847	Article 38 (4) of the Labour Law	Failure to pay wages for untaken days of special leave	Penalty of NT \$20,000

Response Measures

1. Shan-Loong has always pay attention to the welfare and interests of employees and actively promoted the relationship between labor and management. It has indeed established working rules and various management regulations in accordance with the Labor Standard Act and

relevant laws and regulations. So far, the maintenance of employee rights and interests are good. It is expected that the two parties will continue to maintain their labor relations with good communication and interaction.

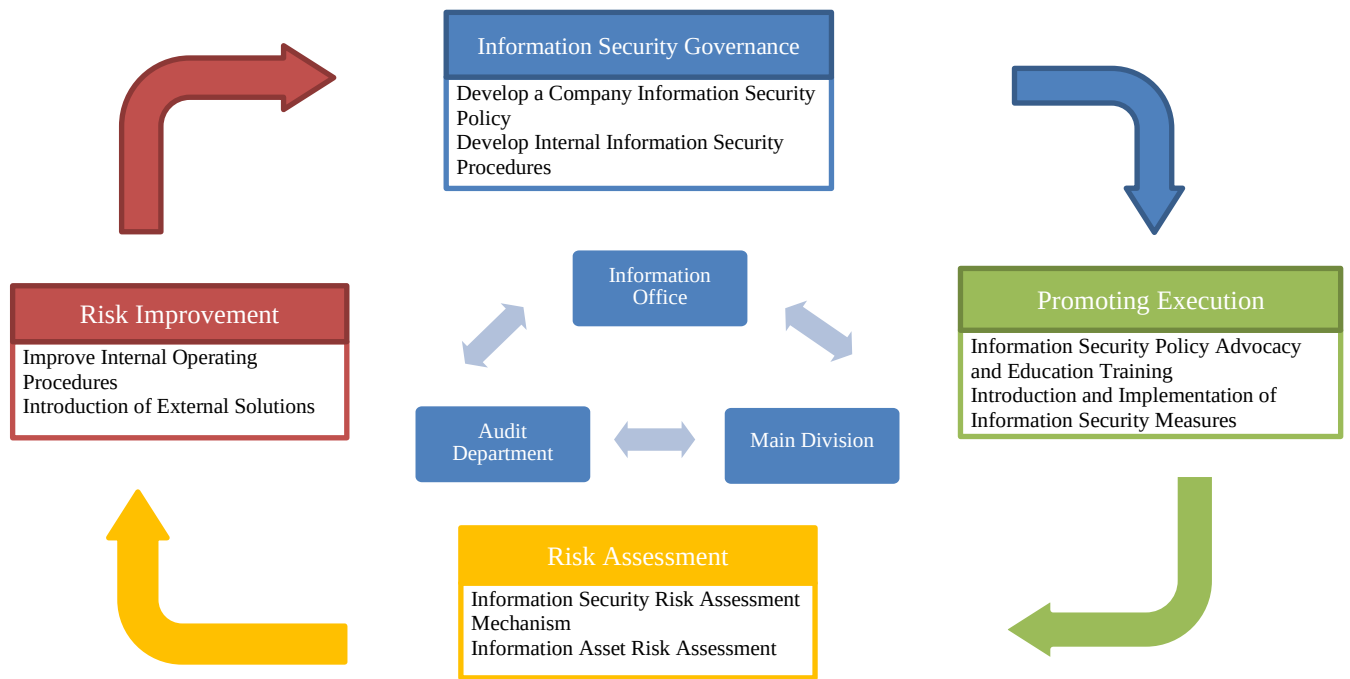
2. The Company has a HR department specializing in labor standard matters, and the estimated amount that may occur in the future is 0.

VII. Information Security Management

(I) Information security management strategy and structure:

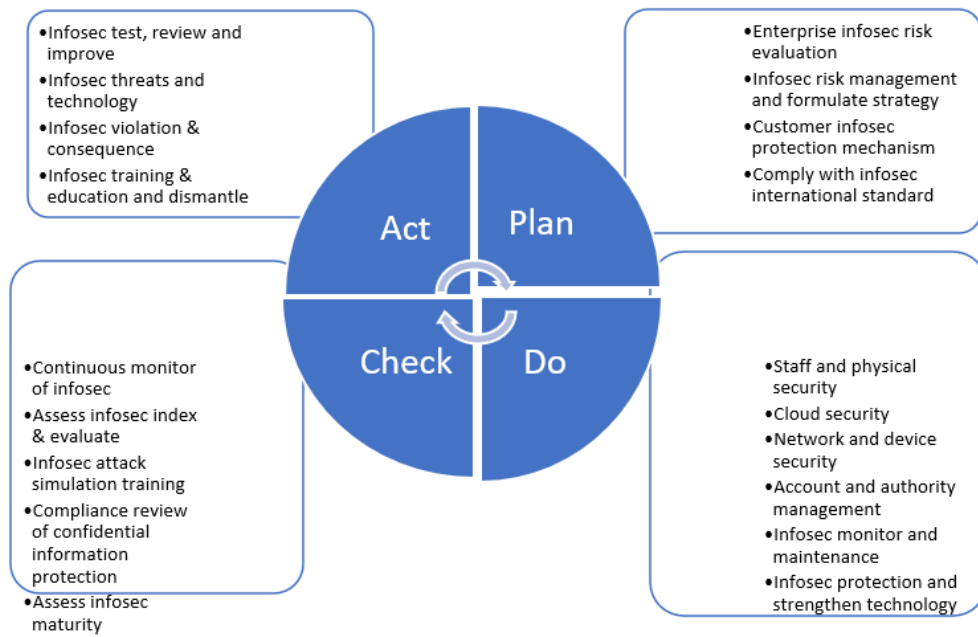
1. Information Technology Security Risk Management Framework

- (1) The information security authority of the Company shall be the Information Division, which shall have one Information Supervisor, and a number of professional information personnel, who shall be responsible for formulating the internal information security policy, planning and implementation of information security operations and information security policy promotion and implementation, and shall report to the Board of Directors on the information security governance of the Company on a regular basis after summarization by the top management of enterprise information. The latest report date is March 19, 2021.
- (2) The audit room of the Company is the supervision unit for information security supervision. The top supervisor of the audit room is an observer who holds quarterly meetings to review and resolve information security and information protection policies and policies, and implement the effectiveness of information security management measures to reduce internal information security risks.
- (3) Organizational operating model - Adopt PDCA (Plan-Do-Check-Act) cycle management to ensure that reliability goals are achieved and continuously improved.



2. Information Security Policy and Specific Management Proposals

- (1) The Company's information security management mechanism examines the applicability and protection measures of information security policies in accordance with the management cycle mechanism of Plan-Do-Check-Act (PDCA). Its policies include the following three aspects:
 - a. System specifications: formulate the company's information security management system to regulate the work behavior of personnel.
 - b. Science and technology application: the construction of information security management equipment, the implementation of information security management measures.
 - c. Personnel training: Conduct information security education and training to enhance the awareness of all colleagues.
- (2) Enterprise Information Security Management Policy and Structure



(3) Specific management plan

a. Cybersecurity:

- (a) Import advanced technology to perform computer scanning and system and software updates.
- (b) Strengthen the network firewall and network control to prevent the spread of computer viruses across the desktop and across regions.

b. Device security:

- (a) Establish an anti-virus mechanism to prevent computers containing malware from entering the company.
- (b) Establish endpoint antivirus measures by computer type to enhance malware behavior detection.

c. Application Security:

- (a) Develop a development process application security checklist, assessment criteria, and improvement objectives.
- (b) Continuously strengthen application security controls and integrate them into development processes and platforms.

d. Enhanced Data Security Technologies:

- (a) Use advanced data protection tools to strengthen document confidentiality classification and data protection with data labels.
- (b) Document and data encryption controls and effective tracking.

- (c) Outgoing mail control.
 - e. Educational Training and Advocacy:
 - (a) Enhance employees' awareness of email social engineering attacks and perform phishing email defense detection.
 - (b) Organize employee recognition exercises to improve employees' awareness of safety.
 - f. Cybersecurity Attack Simulation Exercise:
 - (a) Entrust an external professional vendor to run the company's cyberattack simulation drill.
 - (b) Integrate objective results and threat intelligence of third-party verification, conduct risk analysis, and review and enhance.
- (4) Investing in security management resources

In order to respond to the impact of the Covid-19 pandemic and further generate new forms of business office models, the overall planning for the three major aspects of "machine room security, account and authority management, and device security" is carried out as follows:

- a. Computer room safety: a new generation of computer room, strengthen the integration of fire protection and environmental control system, the use of integrated environmental control system characteristics, the power, air conditioning, temperature and fire integration in it, to effectively monitor the condition of the computer room.
- b. Account and Permission Management: Build a Single Sign-On (SSO) authentication solution, gradually authenticate system accounts through one-time user authentication from 2022, log into multiple application systems or websites with access management policies, and use multi-factor authentication (MFA) to improve security of use.
- c. Device security: Set up Endpoint Security software to conduct antivirus monitoring, application activity monitoring, network monitoring for all types of hosts, and protect the hosts from intrusion.

In addition, in order to reduce the risk of system vulnerabilities, the company will also scan for vulnerabilities on important hosts to fix high- and medium-risk vulnerabilities to reduce the risk of hackers entering the system through vulnerabilities. At the same time, an automatic backup and backup mechanism is established for the important host system environment and data

to ensure that personnel can restore the operation of the system smoothly in the event of a disaster.

(II) Communications Security Risks and Response Measures:

The Company has established comprehensive network and computer-related security measures, but cannot guarantee that its computer systems that control or maintain important corporate functions such as company operations and accounting can completely avoid cyberattacks from any third-party paralysis system. These cyberattacks illegally hacked into the company's internal network system, carrying out activities such as disrupting the company's operations and damaging the company's reputation. In the event of a serious cyberattack, the company's systems may lose important company data and some operations may be shut down. The Company reviews and evaluates its information security regulations and procedures on an ongoing basis to ensure their appropriateness and effectiveness, but does not guarantee that the Company will not be affected by the introduction of new risks and attacks in the face of rapidly changing information security threats. Cyberattacks may also attempt to steal trade secrets and other confidential information, such as proprietary information of customers or other stakeholders, as well as personal information of company employees.

Malicious hackers can also attempt to import computer viruses, destructive software, or ransomware into a company's network systems to disrupt the company's operations, blackmail or extort the company, gain control of the computer system, or snoop on confidential information. These attacks may result in the Company's liability to compensate customers for losses incurred as a result of delays or disruptions to orders; or to implement remediation and improvement measures at substantial expense to strengthen the Company's cybersecurity systems; or may result in the Company incurring significant legal liability in connection with legal cases or regulatory investigations resulting from the disclosure of confidential information of Company employees, customers, or third parties.

In addition, the Company needs to share sensitive information with some of the third-party vendors it employs to provide the Company's services in order to enable it to provide the relevant services. Although the Company requires third-party service providers to comply with confidentiality and/or cybersecurity requirements in their service contracts, it cannot guarantee that each third-party service provider will strictly abide by these obligations. Internal network systems and external cloud computing networks (such as servers) maintained by the above-mentioned service providers and/or their contractors are also at risk of cyberattacks. Failure by the Company or its service providers to resolve the technical issues arising from these cyberattacks in a timely

manner, or to ensure the data integrity and availability of the Company (and its customers or other third parties), or to control the computer systems of the Company or its service providers, may seriously undermine the Company's commitment to its customers and other stakeholders, and the Company's operating results, financial condition, prospects and reputation may also be materially and adversely affected.

(III) Major information security incidents:

The Company has no major information security incidents, but in the relevant information security reports, it is found that the user's computer is infected by computer viruses or clicks on unsafe links, and the endpoint protection software is blocked or deleted for the first time, so there is no major loss; after that, the Company will continue to strengthen the network firewall and network control to prevent the spread of computer viruses across hosts and regions; further use of information technology to strengthen data protection measures is also underway. The Company has allocated appropriate additional budgets to enhance information technology security, but there is still no guarantee that the Company will be protected from malware attacks.

VIII. Important Contract

Type of Contract	Party	Contract Duration	Main content	Restrictions
Oil Contract	CPC Oil	2021.08.01~2028.07.31	Automobile Gas Station Supply Alliance Contract	None
Oil Contract	Formosa Plastics	2021.08.01~2028.07.31	Purchase and Sales Contract of Oil Products for Gas Station	None

Chapter 6. Financial Summary

I. Five-Year Financial Summary

(I) Condensed Balance Sheet and Comprehensive Income Statement

Abbreviated Balance Sheets

In Thousands of New Taiwan Dollars

Year Item		Financial information in the most recent five years					As of the end of the current year ended March31 Financial Information (Note 1)
		2018	2019	2020	2021	2022	
Current Assets		2,375,638	2,408,667	2,288,526	2,867,370	2,735,694	Not Applicable
Property, plant, and equipment		3,243,356	3,498,819	3,725,365	3,609,511	3,710,240	
Intangible assets		—	—	—	—	—	
Other assets		1,818,049	3,030,250	4,029,108	3,876,316	3,341,741	
Total asset value		7,437,043	8,937,736	10,042,999	10,353,197	9,787,675	
Current liabilities	Before distribution	2,444,247	2,398,301	2,356,421	3,494,290	2,333,463	
	After distribution	2,663,898	2,645,408	2,658,441	3,837,495	Note 2	
Non-current liabilities		907,535	2,337,928	2,410,834	1,402,124	2,438,939	
Total liabilities	Before distribution	3,351,782	4,736,229	4,767,255	4,896,414	4,772,402	
	After distribution	3,571,433	4,983,336	5,069,275	5,239,619	Note 2	
Equity attributable to shareholders of the parent company		3,955,437	4,021,250	5,086,188	5,256,110	4,821,097	
Capital stock		1,371,389	1,372,818	1,372,818	1,372,818	1,372,818	
Capital surplus		573,902	577,945	580,381	583,359	586,742	
Retained earnings	Before distribution	1,610,021	1,676,640	1,790,142	1,944,149	1,902,158	
	After distribution	1,390,370	1,429,533	1,488,122	1,600,944	Note 2	
Other equity interest		431,988	425,710	1,374,710	1,387,647	991,242	
Treasury stock		(31,863)	(31,863)	(31,863)	(31,863)	(31,863)	
Non-controlling Interests		129,824	180,257	189,556	200,673	194,176	
Total equity	Before distribution	4,085,261	4,201,507	5,275,744	5,456,783	5,015,273	
	After distribution	3,865,610	3,954,400	4,973,724	5,113,578	Note 2	

Note 1: As of the printing date of the annual report, it has not been approved by the Board of Directors and audited by CPAs, so it is not applicable.

Note 2: 2022 annual profit distribution case was approved by the board of directors on March 13, 2023, but has not yet been resolved by the shareholders' meeting.

Abbreviated Consolidated Income Statement

In Thousands of New Taiwan Dollars

Year Item	Financial information in the most recent five years					As of the end of the current year ended March 31 Financial Information (Note)
	2018	2019	2020	2021	2022	
Operating revenue	19,016,293	18,012,657	15,955,500	18,812,163	18,518,763	Not Applicable
Gross profit	1,464,241	1,480,489	1,743,676	1,785,757	1,419,897	
Operating profit (loss)	216,218	173,547	387,149	375,611	109,977	
Non-operating revenue and expenses	97,454	281,577	75,992	138,456	236,346	
Net income before tax	313,672	455,124	463,141	514,067	346,323	
Net income from continuing operations	236,102	347,900	379,889	424,560	297,659	
Loss from discontinued operations	—	—	—	—	—	
Net profit for the period	236,102	347,900	379,889	424,560	297,659	
Other Comprehensive Income	(38,989)	(13,119)	939,019	55,521	(378,214)	
Total comprehensive income for the period	197,113	334,781	1,318,908	480,081	(80,555)	
Net income attributable to shareholders of the parent company	236,467	290,953	371,334	415,507	288,996	
Net income attributable to non-controlling interests	(365)	56,947	8,555	9,053	8,663	
Total comprehensive income attributable to owners of the parent	204,021	284,348	1,309,609	468,964	(95,191)	
Total comprehensive income attributable to non-controlling interests	(6,908)	50,433	9,299	11,117	14,636	
Earnings per Share	1.76	2.14	2.73	3.06	2.13	

Note: As of the printing date of the annual report, it has not been approved by the Board of Directors and audited by CPAs, so it is not applicable.

Abbreviated Balance Sheet for Parent Company Only

In Thousands of New Taiwan Dollars

Year Item		Financial information in the most recent five years					As of the end of the current year ended March 31 Financial Information
		2018	2019	2020	2021	2022	
Current Assets		1,749,284	1,586,592	1,329,513	1,564,227	1,413,837	Not Applicable
Property, plant, and equipment		3,214,769	3,476,428	3,706,229	3,577,741	3,603,153	
Intangible assets		—	—	—	—	—	
Other assets		2,183,324	3,497,550	4,590,309	4,652,061	4,294,238	
Total asset value		7,147,377	8,560,570	9,626,048	9,794,029	9,311,228	
Current liabilities	Before distribution	2,306,109	2,236,706	2,195,190	3,202,657	2,097,459	
	After distribution	2,525,760	2,483,813	2,497,210	3,545,862	Note	
Non-current liabilities		885,831	2,302,614	2,344,670	1,335,262	2,392,672	
Total liabilities	Before distribution	3,191,940	4,539,320	4,539,860	4,537,919	4,490,131	
	After distribution	3,411,591	4,786,427	4,841,880	4,881,124	Note	
Total equity		3,955,437	4,021,250	5,086,188	5,256,110	4,821,097	
Capital stock		1,371,389	1,372,818	1,372,818	1,372,818	1,372,818	
Capital surplus		573,902	577,945	580,381	583,359	586,742	
Retained earnings	Before distribution	1,610,021	1,676,640	1,790,142	1,944,149	1,902,158	
	After distribution	1,390,370	1,429,533	1,488,122	1,600,944	Note	
Other equity interest		431,988	425,710	1,374,710	1,387,647	991,242	
Treasury stock		(31,863)	(31,863)	(31,863)	(31,863)	(31,863)	
Total equity	Before distribution	3,955,437	4,021,250	5,086,188	5,256,110	4,821,097	
	After distribution	3,735,786	3,774,143	4,784,168	4,912,905	Note	

Note: 2022 annual profit distribution case was approved by the board of directors on March 13, 2023, but has not yet been resolved by the shareholders' meeting.

Abbreviated Comprehensive Income Statements, Parent Company only

In Thousands of New Taiwan Dollars

Year Item	Financial information in the most recent five years					As of the end of the current year ended March 31 Financial Information
	2018	2019	2020	2021	2022	
Operating revenue	18,063,949	16,981,871	15,076,884	17,237,755	17,057,153	Not Applicable
Gross profit	1,417,458	1,426,004	1,661,456	1,664,787	1,363,023	
Operating profit (loss)	196,841	151,100	325,986	292,996	58,932	
Non-operating revenue and expenses	109,472	198,903	111,920	190,003	263,540	
Net income before tax	306,313	350,003	437,906	482,999	322,472	
Net income from continuing operations	236,467	290,953	371,334	415,507	288,996	
Loss from discontinued operations	—	—	—	—	—	
Net profit for the period	236,467	290,953	371,334	415,507	288,996	
Other Comprehensive Income	(32,446)	(6,605)	938,275	53,457	(384,187)	
Total comprehensive income for the period	204,021	284,348	1,309,609	468,964	(95,191)	
Net income attributable to shareholders of the parent company	N/A	N/A	N/A	N/A	N/A	
Net income attributable to non-controlling interests	N/A	N/A	N/A	N/A	N/A	
Total comprehensive income attributable to owners of the parent	N/A	N/A	N/A	N/A	N/A	
Total comprehensive income attributable to non-controlling interests	N/A	N/A	N/A	N/A	N/A	
Earnings per Share	1.76	2.14	2.73	3.06	2.13	

(II) Names of auditing CPAs of the most recent five years and their audit opinions

Item	2018	2019	2020	2021	2022
Certifying CPAs:	Lo, Jui-Lan	Lo, Jui-Lan	Lo, Jui-Lan	Lo, Jui-Lan	Samuel, Au Yiu Kwan
	Wang, I-WEN	Wang, I-WEN	Samuel, Au Yiu Kwan	Samuel, Au Yiu Kwan	Yu-Ting Hsin
Review Comments	Unqualified opinion	An Unmodified Opinion with a Paragraph of Other Stressed Matters	Unqualified opinion	Unqualified opinion	Unqualified opinion

II. Financial analysis in the most recent five years

(I) Financial analysis of Shan-Loong Company and its subsidiaries

Year Item		Financial information in the most recent five years					As of the end of the current year ended March31 Financial Information (Note)
		2018	2019	2020	2021	2022	
Financial structure	Ratio of liabilities to assets	45	53	47	47	49	Not Applicable
	Ratio of long-term capital to property, plant, and equipment	154	187	206	190	201	
Solvency	Current ratio	97	100	97	82	117	
	Quick ratio	88	89	87	74	100	
	Times interest earned ratio	27	15	15	18	10	
Operation performance	Receivables turnover (times)	19.68	19.13	18.03	20.69	20.88	
	Average days for cash receipts	19	19	20	18	17	
	Inventory turnover ratio (times)	81.59	79.05	50.15	58.62	51.13	
	Payables turnover ratio (times)	10.53	10.12	9.78	11.54	10.92	
	Average days for sale of goods	4	5	7	6	7	
	Property, plant and equipment turnover rate (times)	5.93	5.34	4.42	5.13	5.06	
	Total asset turnover ratio (times)	2.56	2.02	1.59	1.82	1.89	
Profitability	Return on assets (%)	3	5	4	4	3	
	Return on equity (%)	6	8	8	8	6	
	Ratio of income before tax to paid-in capital (%)	23	33	33	37	25	
	Net profit ratio (%)	1	2	2	2	2	
	Earnings per share (NT\$)	1.76	2.14	2.73	3.06	2.13	
Cash flow	Cash flow ratio (%)	25	(2)	53	38	26	
	Cash flow adequacy ratio (%)	73	61	84	102	106	
	Cash re-investment ratio (%)	6	(5)	18	20	4	
Leverage	Degree of operating leverage	11.72	14.98	7.00	9.44	27.99	
	Degree of financial leverage (DFL)	1.06	1.22	1.09	1.09	1.51	
Please explain the reasons for the changes in the financial ratios in the last two years: (increase or decrease up to 20%) 1. Increase in current ratio and quick ratio: mainly due to decrease in current liabilities in the current period. 2. Interest protection ratio, return on assets, return on equity, net income before tax as a percentage of paid-in capital, return on net income and decrease in earnings per share: mainly due to the decrease in net income in the current period. 3. Decrease in cash flow ratio: mainly due to decrease in net cash flow from operating activities in the current period. 4. Reduction in cash reinvestment ratio: mainly due to the increase in working capital in the current period. 5. Increase in operating leverage and financial leverage: mainly due to the decrease in operating profit in the current period.							

Note: As of the printing date of the annual report, it has not been approved by the Board of Directors and audited by CPAs, so it is not applicable.

(II) Financial analysis of Shan-Loong Company

Year Item		Financial information in the most recent five years					As of the end of the current year ended March 31 Financial Information (Note)
		2018	2019	2020	2021	2022	
Financial structure	Ratio of liabilities to assets (%)	45	53	47	46	48	Not Applicable
	Ratio of long-term capital to property, plant, and equipment (%)	151	182	200	184	200	
Solvency	Current ratio (%)	76	71	61	49	67	
	Quick Ratio (%)	67	59	50	41	53	
	Times interest earned ratio	26	12	15	17	10	
Operation performance	Receivables turnover (times)	23.36	22.39	20.95	23.40	24.71	
	Average days for cash receipts	16	16.30	17.42	15.60	14.77	
	Inventory turnover ratio (times)	103	100	69	78	72	
	Payables turnover ratio (times)	10.16	9.56	9.25	11	11	
	Average days for sale of goods	3.56	3.65	5.32	4.68	5.08	
	PP&E turnover ratio (times)	5.70	5.08	4.20	4.73	4.75	
	Total asset turnover ratio (times)	2.53	1.98	1.57	1.76	1.83	
Profitability	Return on assets (%)	4	4	4	5	3	
	Return on equity (%)	6	7	8	8	6	
	Ratio of income before tax to paid-in capital (%)	22	26	32	35	23	
	Net profit ratio (%)	1	2	2	2	2	
	Earnings per share (NT\$)	1.76	2.14	2.73	3.06	2.13	
Cash flow	Cash flow ratio (%)	33	7	53	28	29	
	Cash flow adequacy ratio (%)	72	68	90	94	102	
	Cash re-investment ratio (%)	7	(1)	13	9	3	
Leverage	Degree of operating leverage	8.03	10.38	5.62	6.73	27.44	
	Degree of financial leverage (DFL)	1.07	1.26	1.11	1.12	2.61	
Please explain the reasons for the changes in the financial ratios in the last two years: (increase or decrease up to 20%) 1. Increase in current ratio and quick ratio: mainly due to decrease in current liabilities in the current period. 2. Interest protection ratio, return on assets, return on equity, net income before tax as a percentage of paid-in capital, return on net income and decrease in earnings per share: mainly due to the decrease in net income in the current period. 3. Reduction in cash reinvestment ratio: mainly due to the increase in working capital in the current period. 4. Increase in operating leverage and financial leverage: mainly due to the decrease in operating profit in the current period.							

Note: The Company did not prepare the first quarter individual financial report, so it is not applicable.

1. Financial structure

- (1) Liability to asset ratio = Total liabilities/total assets.
- (2) Long-term capital as a proportion of PP&E = (Total equities + non-current liabilities)/
Net value of PP&E.

2. Solvency

- (1) Current ratio = Current assets/current liabilities
- (2) Quick ratio = (Current assets - inventory - prepaid expenditures)/current liabilities.
- (3) Times interest earned ratio = Income before income tax and interest
expenditure/interest expenditures for the period.

3. Operation performance

- (1) Receivables turnover rate (including notes receivable resulting from accounts
receivable and business operations) = Net sales/average accounts receivable in
various periods (including notes receivable resulting from accounts receivable and
business operations).
- (2) Average collection days = 365/receivables turnover ratio.
- (3) Inventory turnover = Sales expense/average inventory value.
- (4) Payables turnover ratio (including notes payable resulting from accounts payable and
business operations) = Cost of sales/average accounts payable in various periods
(including notes payable resulting from accounts payable and business operations).
- (5) Average sales days = 365/inventory turnover ratio.
- (6) PP&E turnover ratio = Net sale/average PP&E value.
- (7) Total asset turnover ratio = Net sales/average total PP&E value.

4. Profitability

- (1) Return on assets = [Net profit after taxes + interest expense (1– Tax rate)]/average
total assets.
- (2) Return on equity = Net gain (loss) after tax/average equity value.
- (3) Net profit ratio = Net gain (loss) after tax/net sales.
- (4) Earnings per share = (Gain (loss) attributable to the shreholders of the parent company
- dividend for preferred shares)/weighted average of issued shares

5. Cash flow

- (1) Cash flow ratio = Net cash from business activities/current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow for business activities for the last 5
years/(Capital expenses + Additional inventory sum + Cash dividend) for the past 5
fiscal years.
- (3) Cash reinvestment ratio = (net cash flow from operating activities - cash
dividend)/(gross property, plant and equipment

+ Long-term investment + Other non-current assets + Working capital).

6. Leverage

(1) Degree of operating leverage (DOL) = $(\text{Net sales} - \text{variable operating cost and expense}) / \text{operating income}$

(2) Degree of Financial Leverage (DFL) = $\text{Operating profit} / (\text{operating profit} - \text{interest expenditures})$.

III. Recent Year Audit Committee's Review Report

Shan-Loong Transportation Co., Ltd.

Audit Committee's Review Report

The Board of Directors prepared and reported the Company's Annual Financial Statements for Year 2022, including the Business Report, Parent Company Only Financial Report, Consolidated Financial Report and Earnings Distribution Proposal, etc., which were reviewed together by the Audit Committee and found to be true. The Parent Company Only Financial Report and the Consolidated Financial Report have also been jointly verified by Samuel and Au Yiu Kwan, two certified public accountants of KPMG, Taiwan. In accordance with the provisions of paragraph 4, Article 14 of the Securities and Exchange Law and Article 219 of the Company Act, please examine together with the audit report.

Above- Mentioned
2023 annual shareholders' meeting of the Company

Shan-Loong



Convener of the Audit Committee: Yao-Ming Huang

March 13, 2023

IV. Financial Report of the Most Recent Year



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel	+ 886 2 8101 6666
傳真 Fax	+ 886 2 8101 6667
網址 Web	kpmg.com/tw

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, 2022 and 2021, 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, 2022 and 2021, 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 Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of 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 Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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:

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)(p) 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, 2022 and 2021, 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 auditor's 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 Standards on Auditing of the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and 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 Yiu-Kwan Au and Yu-Ting Hsin.

KPMG

Taipei, Taiwan (Republic of China)

March 13, 2023

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 Balance Sheets

December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note (6)(a))	\$	1,057,797	11	1,553,286	15	2100	Short-term borrowings (note (6)(i))	\$	40,000	1
1170	Notes and accounts receivable, net (note (6)(c))		455,219	5	649,969	6	2150	Notes and accounts payable (note (7))		1,544,695	16
1180	Notes and accounts receivable due from related parties, net (notes (6)(c) and (7))		351,714	3	316,727	3	2200	Other payables (note (7))		391,241	4
1476	Other current financial assets (notes (6)(d) and (7))		460,317	5	78,793	1	2230	Current income tax liabilities		6,052	-
1300	Inventories, net (note (6)(e))		280,884	3	223,277	2	2280	Current lease liabilities (notes (6)(k) and (7))		201,323	2
1479	Other current assets (note (7))		129,763	1	45,318	-	2130	Current contract liabilities (note (6)(p))		23,940	-
			2,735,694	28	2,867,370	27	2250	Provisions		11,540	-
							2399	Other current liabilities		14,672	-
							2320	Long-term liabilities, current portion (note (6)(j))		100,000	1
										2,333,463	24
Non-current assets:						Non-current liabilities:					
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(b))		1,974,379	20	2,446,133	24	2540	Long-term borrowings (note (6)(j))		1,379,000	14
1550	Investments accounted for using equity method, net (note (6)(f))		65,129	1	71,325	1	2570	Deferred income tax liabilities (note (6)(m))		167,246	2
1600	Property, plant and equipment (notes (6)(g), (7) and (8))		3,710,240	38	3,609,511	35	2580	Non-current lease liabilities (notes (6)(k) and (7))		792,312	8
1755	Right-of-use asset (notes (6)(h) and (7))		965,879	10	1,075,528	10	2640	Non-current net defined benefit liability (note (6)(l))		87,349	1
1840	Deferred income tax assets (note (6)(m))		36,783	-	37,052	-	2645	Guarantee deposits received		13,032	-
1990	Other non-current assets (note (8))		299,571	3	246,278	3				2,438,939	25
			7,051,981	72	7,485,827	73				4,772,402	49
								Total liabilities			4,896,414
								Equity:			
								Equity attributable to owners of parent: (note (6)(n))			
						3100	Ordinary shares		1,372,818	14	1,372,818
						3200	Capital surplus		586,742	6	583,359
						3300	Retained earnings		1,902,158	19	1,944,149
						3400	Other equity		991,242	10	1,387,647
						3500	Treasury shares		(31,863)	-	(31,863)
									4,821,097	49	5,256,110
						36XX	Non-controlling interests		194,176	2	200,673
							Total equity		5,015,273	51	5,456,783
							Total liabilities and equity		\$	9,787,675	100
										10,353,197	100
Total assets		\$	9,787,675	100	10,353,197	100	Total liabilities and equity		\$	9,787,675	100
										10,353,197	100

(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, 2022 and 2021

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

	2022		2021	
	Amount	%	Amount	%
4000 Operating revenue (notes (6)(p) and (7))	\$ 18,518,763	100	18,812,163	100
5000 Operating costs (notes (6)(e), (7) and (12))	<u>17,098,866</u>	<u>92</u>	<u>17,026,406</u>	<u>91</u>
5900 Gross profit from operations	<u>1,419,897</u>	<u>8</u>	<u>1,785,757</u>	<u>9</u>
Operating expenses (notes (7) and (12)):				
6100 Selling expenses	540,784	3	535,529	3
6200 Administrative expenses	748,871	4	874,617	4
6450 Expected credit losses (gains) (note (6)(c))	<u>20,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,309,920</u>	<u>7</u>	<u>1,410,146</u>	<u>7</u>
6900 Net operating income	<u>109,977</u>	<u>1</u>	<u>375,611</u>	<u>2</u>
Non-operating income and expenses:				
7010 Other income (note (7))	74,202	-	66,468	-
7020 Other gains and losses, net (notes (6)(k) and (6)(r))	18,539	-	4,993	-
7050 Finance costs (notes (6)(k) and (7))	(37,125)	-	(30,987)	-
7060 Shares of profit (loss) of associates and joint ventures accounted for using equity method, net (note (6)(f))	1,955	-	2,601	-
7100 Interest income	6,773	-	4,829	-
7130 Dividend income	186,144	1	105,030	1
7210 Gains (losses) on disposals of property, plant and equipment (note (7))	(992)	-	343	-
7590 Miscellaneous disbursements	<u>(13,150)</u>	<u>-</u>	<u>(14,821)</u>	<u>-</u>
	<u>236,346</u>	<u>1</u>	<u>138,456</u>	<u>1</u>
7900 Profit before tax	<u>346,323</u>	<u>2</u>	<u>514,067</u>	<u>3</u>
7950 Less: Income tax expenses (note (6)(m))	<u>48,664</u>	<u>-</u>	<u>89,507</u>	<u>1</u>
8200 Profit	<u>297,659</u>	<u>2</u>	<u>424,560</u>	<u>2</u>
8300 Other comprehensive income:				
8310 Items that may not be reclassified subsequently to profit or loss:				
8311 Gains (losses) on remeasurements of defined benefit plans	15,272	-	(5,890)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income (note (6)(r))	<u>(411,578)</u>	<u>(2)</u>	<u>64,685</u>	<u>-</u>
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 (note (6)(f))	<u>(7,144)</u>	<u>-</u>	<u>(10,329)</u>	<u>-</u>
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	<u>(13,455)</u>	<u>-</u>	<u>(3,699)</u>	<u>-</u>
	<u>(389,995)</u>	<u>(2)</u>	<u>52,165</u>	<u>-</u>
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign financial statements	13,233	-	3,679	-
8399 Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note (6)(m))	<u>1,452</u>	<u>-</u>	<u>323</u>	<u>-</u>
	<u>11,781</u>	<u>-</u>	<u>3,356</u>	<u>-</u>
8300 Other comprehensive income (loss)	<u>(378,214)</u>	<u>(2)</u>	<u>55,521</u>	<u>-</u>
8500 Total comprehensive income	<u>\$ (80,555)</u>	<u>-</u>	<u>480,081</u>	<u>2</u>
Profit, attributable to:				
8610 Owners of parent	\$ 288,996	2	415,507	2
8620 Non-controlling interests	<u>8,663</u>	<u>-</u>	<u>9,053</u>	<u>-</u>
	<u>\$ 297,659</u>	<u>2</u>	<u>424,560</u>	<u>2</u>
Total comprehensive income attributable to:				
8710 Owners of parent	\$ (95,191)	-	468,964	2
8720 Non-controlling interests	<u>14,636</u>	<u>-</u>	<u>11,117</u>	<u>-</u>
	<u>\$ (80,555)</u>	<u>-</u>	<u>480,081</u>	<u>2</u>
Earnings per share (note (6)(o))				
9750 Basic earnings per share	<u>\$ 2.13</u>		<u>3.06</u>	
9850 Diluted earnings per share	<u>\$ 2.11</u>		<u>3.04</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, 2022 and 2021
 (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				
Balance on January 1, 2021	\$ 1,372,818	580,381	445,013	1,345,129	1,790,142	(23,229)	1,397,939	1,374,710	(31,863)	5,086,188	189,556	5,275,744
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)
	-	-	36,061	(338,081)	(302,020)	-	-	-	-	(302,020)	-	(302,020)
Profit (loss) for the year ended December 31, 2021	-	-	-	415,507	415,507	-	-	-	-	415,507	9,053	424,560
Other 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
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	410,795	410,795	1,292	56,877	58,169	-	468,964	11,117	480,081
Adjustments of capital surplus for the company's cash dividends received by subsidiaries	-	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)	-	-	-	-
Balance on December 31, 2021	1,372,818	583,359	481,074	1,463,075	1,944,149	(21,937)	1,409,584	1,387,647	(31,863)	5,256,110	200,673	5,456,783
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	45,602	(45,602)	-	-	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(343,205)	(343,205)	-	-	-	-	(343,205)	-	(343,205)
	-	-	45,602	(388,807)	(343,205)	-	-	-	-	(343,205)	-	(343,205)
Profit (loss) for the year ended December 31, 2022	-	-	-	288,996	288,996	-	-	-	-	288,996	8,663	297,659
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	12,218	12,218	5,808	(402,213)	(396,405)	-	(384,187)	5,973	(378,214)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	301,214	301,214	5,808	(402,213)	(396,405)	-	(95,191)	14,636	(80,555)
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	3,383	-	-	-	-	-	-	-	3,383	-	3,383
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(21,133)	(21,133)
Balance on December 31, 2022	\$ 1,372,818	586,742	526,676	1,375,482	1,902,158	(16,129)	1,007,371	991,242	(31,863)	4,821,097	194,176	5,015,273

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, 2022 and 2021

(expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 346,323	514,067
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	485,924	491,023
Expected credit losses (gains)	20,265	-
Net profit on financial assets or liabilities at fair value through profit or loss	-	(6,487)
Interest expense	37,125	30,987
Interest income	(6,773)	(4,829)
Dividend income	(186,144)	(105,030)
Share of loss of associates and joint ventures accounted for using equity method	(1,955)	(2,601)
Loss (gain) on disposal of property, plant and equipment and others	980	(6,330)
	<u>349,422</u>	<u>396,733</u>
Changes in operating assets and liabilities:		
Decrease (increase) in financial assets mandatorily measured at fair value through profit or loss	-	355,541
Decrease (increase) in notes and accounts receivable	139,498	(115,099)
Decrease (increase) in inventories	(57,607)	(29,672)
Decrease (increase) in other current financial assets	5,594	(10,675)
Decrease (increase) in other current assets	(75,762)	(11,063)
Increase (decrease) in notes and accounts payable	(41,434)	221,628
Increase (decrease) in provisions	(7,323)	(7,129)
Increase (decrease) in other payables and other current liabilities	(118,977)	30,455
Increase (decrease) in net defined benefit liabilities	187	(1,360)
Increase (decrease) in contract liabilities	2,125	8,238
	<u>(153,699)</u>	<u>440,864</u>
Total adjustments	<u>195,723</u>	<u>837,597</u>
Cash inflow (outflow) generated from (used in) operations	542,046	1,351,664
Dividends received	187,151	105,633
Interest paid	(37,125)	(30,987)
Interest received	6,773	4,829
Income taxes paid	(81,550)	(105,361)
Net cash flows from (used in) operating activities	<u>617,295</u>	<u>1,325,778</u>
Cash flows from (used in) investing activities:		
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	60,176	-
Acquisition of property, plant and equipment	(358,105)	(202,648)
Proceeds from disposal of property, plant and equipment	2,765	86,125
Decrease (increase) in refundable deposits	27,274	(15,003)
Increase in other financial assets	(389,533)	-
Increase in prepayments for business facilities	(78,152)	(29,979)
Net cash flows from (used in) investing activities	<u>(735,575)</u>	<u>(169,444)</u>
Cash flows from (used in) financing activities:		
Increase in short-term borrowings	-	40,000
Proceeds from long-term borrowings	304,300	200,000
Repayments of long-term borrowings	(100,000)	(100,000)
Increase (decrease) in guarantee deposit received	(5,230)	925
Payment of lease liabilities	(227,800)	(234,156)
Cash dividends paid	(339,822)	(299,042)
Changes in non-controlling interests	(21,133)	-
Net cash flows from (used in) financing activities	<u>(389,685)</u>	<u>(392,273)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>12,476</u>	<u>2,817</u>
Net increase (decrease) in cash and cash equivalents	<u>(495,489)</u>	<u>766,878</u>
Cash and cash equivalents at beginning of period	<u>1,553,286</u>	<u>786,408</u>
Cash and cash equivalents at end of period	<u><u>\$ 1,057,797</u></u>	<u><u>1,553,286</u></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

Notes to the Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

(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, sale of truck, 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 13, 2023.

(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, 2022:

- 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”

- (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, 2023, would not have a significant impact on its consolidated financial statements:

- 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”

(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 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(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)(o).

- (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	
			December 31, 2022	December 31, 2021
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 %
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 %

(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

The business cycle of the selling trucks through installment usually exceeds one year, therefore, the balance sheet accounts related to the selling trucks through installment are classified as current.

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.

(Continued)

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

(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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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.

(Continued)

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

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.

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 annual 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, 2022; 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.

(ii) Installment sales revenue

The revenue from installment sales is calculated using ordinary sales method. Under this method, gross profit between sales determined at normal selling price and cost of sales is recognized on selling date. The excess installment sales over the sales determined at normal selling price is treated as unearned interest revenue, which is subsequently recognized as interest revenue by using the interest method. Unearned interest revenue is treated as a deduction item of installment sales receivable. Installment sales are recognized as revenue

(Continued)

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

when control of products has been transferred.

(o) 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

(p) 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.

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

(Continued)

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

- 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.

(q) 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.

(r) 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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 14,053	13,287
Checking accounts and demand deposits	897,179	1,384,489
Time deposits	146,565	155,510
	\$ 1,057,797	1,553,286

(Continued)

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

Please refer to note (6)(r) 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 other comprehensive income

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	\$ 1,595,869	2,059,749
Stocks unlisted on domestic markets	175,139	181,579
Stocks unlisted on foreign markets	<u>203,371</u>	<u>204,805</u>
	<u>\$ 1,974,379</u>	<u>2,446,133</u>

- (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 approved during the stockholders' meeting held on July 18, 2022, Chung Loong Paper Holdings Limited, which the Group holds as equity investments at fair value through other comprehensive income, decided to reduce 60% of its capital by cash. In July 2022, the Group received all the refund amount of \$60,176 (US\$2,009 thousand) in proportion to the percentage of ownership in its 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 years ended December 31, 2022.
- (iv) For market risk of the Group, please refer to note (6)(r).
- (v) The Group had not been pledged any financial assets as collateral for its borrowings.

(Continued)

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

(c) Notes and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable	\$ 27,278	47,348
Accounts receivable	721,984	922,417
Less: allowance for impairment	<u>(23,334)</u>	<u>(3,069)</u>
	<u>725,928</u>	<u>966,696</u>
Installment sales receivable	88,157	-
Less: Unearned interests	<u>(7,152)</u>	<u>-</u>
	<u>81,005</u>	<u>-</u>
	<u>\$ 806,933</u>	<u>966,696</u>
Notes and accounts receivable, net	<u>\$ 455,219</u>	<u>649,969</u>
Notes and accounts receivable due from related parties, net	<u>\$ 351,714</u>	<u>316,727</u>

- (i) 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, 2022 and 2021, the loss allowance provisions were determined as follows:

	December 31, 2022				
	Gross carrying amount		Loss rate		Loss allowance provision
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	
Installment sales receivable	\$ -	88,157	-	-	-
Notes and accounts receivable					
Aging under 60 days	15,750	689,414	-	-	-
Aging 61~90 days	1,881	101	1%	1%	13
Aging 91~120 days	9,647	5,608	5%	60%	4,876
Aging 121~150 days	-	1,582	10%	60%	1,580
Aging 151~180 days	-	5,710	10%	80%	5,674
Aging 181~365 days	-	9,390	10%	90%	9,332
Aging over 365 days	<u>-</u>	<u>10,179</u>	100%	100%	<u>664</u>
	<u>\$ 27,278</u>	<u>810,141</u>			<u>22,139</u>

(Continued)

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

	December 31, 2021				
	Gross carrying amount		Loss rate		Loss allowance provision
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	
Installment sales receivable	\$ -	-	-	-	-
Notes and 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>

(ii) The Group's installment sales receivable and related accounts were as follows:

	Gross installment sales (Tax included)	Unearned interests	Present value of installment sales receivable
December 31, 2022			
Within 1 year	\$ 15,934	(2,354)	13,580
Beyond 1 year to 5 years	<u>72,223</u>	<u>(4,798)</u>	<u>67,425</u>
	<u>\$ 88,157</u>	<u>(7,152)</u>	<u>81,005</u>

The clients pledged their trucks purchased from the Group as collateral for the above mentioned installment sales receivable.

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

	2022	2021
Balance on January 1	\$ 3,069	3,069
Impairment losses recognized	<u>20,265</u>	<u>-</u>
Balance on December 31	<u>\$ 23,334</u>	<u>3,069</u>

(iv) As of December 31, 2022 and 2021, the Group did not pledge any notes and accounts receivable as collateral for its borrowings.

(Continued)

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

(d) Other current financial assets

	December 31, 2022	December 31, 2021
Other receivables	\$ 83,884	89,478
Less: loss allowance	<u>(13,100)</u>	<u>(13,100)</u>
	70,784	76,378
Restricted deposits	389,533	-
Refundable deposits-current	<u>-</u>	<u>2,415</u>
	<u>\$ 460,317</u>	<u>78,793</u>

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

(e) Inventories

	December 31, 2022	December 31, 2021
Premium Diesel	\$ 40,473	64,801
Unleaded Gasoline #92	57,715	48,328
Unleaded Gasoline #95	84,842	67,696
Unleaded Gasoline #98	30,041	28,427
By-product and other	17,628	14,025
Merchandise Inventory	<u>50,185</u>	<u>-</u>
	<u>\$ 280,884</u>	<u>223,277</u>

The Group recognized as cost of sales amounted to \$13,272,317 and \$12,258,636, respectively, for the years ended December 31, 2022 and 2021.

The gain on physical inventory amounted to \$42,082 and \$40,492, respectively, which was recorded as cost of sales for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Group did not pledge any inventories as collateral for its borrowings.

(f) Investments accounted for using the equity method

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

	December 31, 2022	December 31, 2021
Associates	<u>\$ 65,129</u>	<u>71,325</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.

(Continued)

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

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

	<u>2022</u>	<u>2021</u>
Attributable to the Group:		
Profit (loss)	\$ 1,955	2,601
Other comprehensive income (loss)	<u>(7,144)</u>	<u>(10,329)</u>
Total comprehensive income (loss)	<u><u>\$ (5,189)</u></u>	<u><u>(7,728)</u></u>

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

- (g) 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 equipment</u>	<u>Transportation equipment</u>	<u>Miscellaneous equipment</u>	<u>Unfinished construction and equipment under installation</u>	<u>Total</u>
Cost:							
Balance on January 1, 2022	\$ 2,006,541	903,316	155,502	2,019,052	448,412	13,911	5,546,734
Additions	2,730	10,159	10,401	252,204	77,979	4,632	358,105
Disposals	-	(661)	(1,394)	(32,474)	(19,388)	-	(53,917)
Reclassifications	-	90	10,481	-	-	(10,571)	-
Effect of movements in exchange rates	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,258</u>	<u>1</u>	<u>-</u>	<u>1,259</u>
Balance on December 31, 2022	<u><u>\$ 2,009,271</u></u>	<u><u>912,904</u></u>	<u><u>174,990</u></u>	<u><u>2,240,040</u></u>	<u><u>507,004</u></u>	<u><u>7,972</u></u>	<u><u>5,852,181</u></u>
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 exchange rates	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,125</u>	<u>-</u>	<u>-</u>	<u>1,125</u>
Balance on December 31, 2021	<u><u>\$ 2,006,541</u></u>	<u><u>903,316</u></u>	<u><u>155,502</u></u>	<u><u>2,019,052</u></u>	<u><u>448,412</u></u>	<u><u>13,911</u></u>	<u><u>5,546,734</u></u>

(Continued)

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

						Unfinished construction and equipment under installation	
	Land	Buildings	Gasoline equipment	Transportation equipment	Miscellaneous equipment		Total
Depreciation:							
Balance on January 1, 2022	\$ -	368,701	111,360	1,147,617	309,545	-	1,937,223
Depreciation	-	37,606	11,184	157,026	48,560	-	254,376
Disposals	-	(514)	(1,387)	(30,615)	(17,644)	-	(50,160)
Effect of movements in exchange rates	-	-	-	502	-	-	502
Balance on December 31, 2022	<u>\$ -</u>	<u>405,793</u>	<u>121,157</u>	<u>1,274,530</u>	<u>340,461</u>	<u>-</u>	<u>2,141,941</u>
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 exchange rates	-	-	-	262	1	-	263
Balance on December 31, 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>
Carrying amounts:							
Balance on December 31, 2022	<u>\$ 2,009,271</u>	<u>507,111</u>	<u>53,833</u>	<u>965,510</u>	<u>166,543</u>	<u>7,972</u>	<u>3,710,240</u>
Balance on January 1, 2021	<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>
Balance on December 31, 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>

- (i) The Group is restricted by the law and cannot acquire any agricultural land using its title deed; therefore, the agricultural lands are registered in the name of the chairman of the Company and other natural persons. As of December 31, 2021, certain parcels of the agricultural land located in Mailiao and Taoyuan, with an aggregate carrying value of \$228,581, was held in the names of the chairman of the Company (Jen-Hao Cheng), the former chairman of the Company and the chairman at the time of the transaction (Wen-Ming Cheng), as well as other natural persons. For the year ended December 31, 2022, certain parcels of the agricultural land had been transferred back to the Group after the change of land category. Moreover, some parts of the above agricultural land was transferred to the chairman of the Company, Jen-Hao Cheng, resulting in the entire agricultural lands located in Mailiao and Taoyuan, with a carrying value of \$215,304, to be registered in his name. Concerning the agricultural land mentioned above, the Group has either “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) As of December 31, 2022 and 2021, 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).

(Continued)

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

(h) 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, 2022	\$ 264,408	1,393,037	14,571	1,672,016
Additions	22,793	99,567	-	122,360
Reductions	-	(232)	(584)	(816)
Balance on December 31, 2022	<u><u>\$ 287,201</u></u>	<u><u>1,492,372</u></u>	<u><u>13,987</u></u>	<u><u>1,793,560</u></u>
Balance on January 1, 2021	\$ 452,955	1,296,974	14,281	1,764,210
Additions	82,162	106,883	290	189,335
Reductions	(270,709)	(10,820)	-	(281,529)
Balance on December 31, 2021	<u><u>\$ 264,408</u></u>	<u><u>1,393,037</u></u>	<u><u>14,571</u></u>	<u><u>1,672,016</u></u>
Depreciation:				
Balance on January 1, 2022	\$ 69,243	520,687	6,558	596,488
Depreciation	41,280	187,563	2,705	231,548
Reductions	-	(151)	(204)	(355)
Balance on December 31, 2022	<u><u>\$ 110,523</u></u>	<u><u>708,099</u></u>	<u><u>9,059</u></u>	<u><u>827,681</u></u>
Balance on January 1, 2021	\$ 101,509	342,194	3,885	447,588
Depreciation	52,662	184,934	2,673	240,269
Reductions	(84,928)	(6,441)	-	(91,369)
Balance on December 31, 2021	<u><u>\$ 69,243</u></u>	<u><u>520,687</u></u>	<u><u>6,558</u></u>	<u><u>596,488</u></u>
Carrying amount:				
Balance on December 31, 2022	<u><u>\$ 176,678</u></u>	<u><u>784,273</u></u>	<u><u>4,928</u></u>	<u><u>965,879</u></u>
Balance on January 1, 2021	<u><u>\$ 351,446</u></u>	<u><u>954,780</u></u>	<u><u>10,396</u></u>	<u><u>1,316,622</u></u>
Balance on December 31, 2021	<u><u>\$ 195,165</u></u>	<u><u>872,350</u></u>	<u><u>8,013</u></u>	<u><u>1,075,528</u></u>

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.

(i) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term borrowings	<u><u>\$ 40,000</u></u>	<u><u>40,000</u></u>
Unused short-term credit lines	<u><u>\$ 124,000</u></u>	<u><u>544,000</u></u>
Range of interest rates	<u><u>2.00%</u></u>	<u><u>1.63%</u></u>

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

(Continued)

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

(j) Long-term borrowings

	Currency	December 31, 2022	December 31, 2021
Secured bank loans	NTD	\$ 1,479,000	1,274,700
Less: current portion		<u>100,000</u>	<u>1,047,651</u>
		\$ 1,379,000	227,049
Unused long-term credit lines		\$ 200,000	254,300
Range of interest rates		<u>1%~2.17%</u>	<u>0.97%~1.3%</u>
Maturity year		2023~2027	2022~2025

(i) Issuance and repayment of the loans

The Group's additional amounts in loans for the years ended December 31, 2022 and 2021, were \$304,300 and \$200,000, respectively; and the repayments, including prepaying the loans, were both \$100,000.

(ii) As of December 31, 2022, the repayment schedule for the long-term borrowings was as follows:

Period	Amount
2023.01.01~2023.12.31	\$ 100,000
2024.01.01~2024.12.31	1,178,377
2025.01.01~2025.12.31	82,932
2026.01.01~2026.12.31	83,932
2027.01.01~2027.12.31	<u>33,759</u>
	\$ 1,479,000

(iii) Please refer to note (6)(r) 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.

(k) Lease liabilities

The lease liabilities of the Group were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 201,323	209,461
Non-current	\$ 792,312	890,087

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

(Continued)

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

	<u>2022</u>	<u>2021</u>
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	\$ <u>14,532</u>	<u>16,593</u>
Expenses relating to short-term leases	\$ <u>17,674</u>	<u>18,865</u>
Lease modification gains (recorded as other gains and losses)	\$ <u>(12)</u>	<u>(3,465)</u>

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

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>260,006</u>	<u>269,614</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 2 to 27 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.

(l) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ (155,293)	(247,658)
Fair value of plan assets	<u>70,358</u>	<u>147,473</u>
Net defined benefit liabilities	\$ <u>(84,935)</u>	<u>(100,185)</u>

(Continued)

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

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 \$69,421 as of December 31, 2022. 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>2022</u>	<u>2021</u>
Defined benefit obligations at January 1	\$ (247,658)	(305,270)
Benefits paid	99,511	72,920
Pensions for employees who are transferred from affiliated companies	(2,588)	(1,301)
Current service costs and interest cost	(4,760)	(5,704)
Remeasurement in net defined benefit liabilities (assets)	<u>202</u>	<u>(8,303)</u>
Defined benefit obligations at December 31	<u><u>\$ (155,293)</u></u>	<u><u>(247,658)</u></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>2022</u>	<u>2021</u>
Fair value of plan assets at January 1	\$ 147,473	209,165
Expected return on plan assets	908	1,297
Remeasurement of net defined benefit liabilities (assets)	15,070	2,413
Contributions paid by the employer	6,418	7,518
Benefits paid	<u>(99,511)</u>	<u>(72,920)</u>
Fair value of plan assets at December 31	<u><u>\$ 70,358</u></u>	<u><u>147,473</u></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 2022 and 2021, 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:

	2022	2021
Current service costs	\$ 3,243	3,829
Interest cost	1,517	1,875
Expected return on plan assets	(908)	(1,297)
	\$ 3,852	4,407
Operating cost	\$ 2,028	2,318
Administration expenses	1,824	2,089
	\$ 3,852	4,407

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:

	2022	2021
Accumulated amount at January 1	\$ (162,447)	(156,557)
Recognized during the period	15,272	(5,890)
Accumulated amount at December 31	\$ (147,175)	(162,447)

7) Actuarial assumptions

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

	December 31, 2022	December 31, 2021
Discount rate	1.250 %	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 \$3,852.

The weighted average lifetime of the defined benefits plans is 11.70 years.

(Continued)

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:

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2022		
Discount rate	\$ (2,237)	2,312
Future salary increasing rate	2,312	(2,248)
December 31, 2021		
Discount rate	(5,964)	6,182
Future salary increasing rate	6,074	(5,887)

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 2022 and 2021.

(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 \$49,069 and \$53,354 for the years ended December 31, 2022 and 2021, respectively.

The other subsidiaries recognized the pension expense, basic endowment insurance expenses, and social welfare expenses amounting to \$1,791 and \$938 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

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

(m) Income taxes

(i) Income tax expenses

1) The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expenses		
Current period	\$ 34,920	86,038
Land value increment tax	-	2,426
Adjustment for prior periods	<u>(1,482)</u>	<u>181</u>
	<u>33,438</u>	<u>88,645</u>
Deferred tax expenses		
Origination and reversal of temporary differences	16,556	1,069
Under (over) provision in prior periods	<u>(1,330)</u>	<u>(207)</u>
	<u>15,226</u>	<u>862</u>
Income tax expenses	<u><u>\$ 48,664</u></u>	<u><u>89,507</u></u>

2) The amounts of income tax recognized directly in other comprehensive income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ 3,054	(1,178)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	<u>(16,509)</u>	<u>(2,521)</u>
	<u><u>\$ (13,455)</u></u>	<u><u>(3,699)</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u><u>\$ 1,452</u></u>	<u><u>323</u></u>

(Continued)

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

- 3) Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Profit before tax	\$ 346,323	514,067
Income tax on pre-tax financial income calculated at the domestic rates applicable to profits in the country concerned	\$ 94,391	132,519
Net gains or losses on domestic investments accounted for using equity method	(21,253)	(26,629)
Tax-exempt income	(23,214)	(21,600)
Land value increment tax	-	2,426
Under (over) provision in prior periods	(2,812)	(26)
Non-deductible expenses and others	1,552	2,817
Income tax expenses	\$ 48,664	89,507

- (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 2022 and 2021 were as follows:

	Defined benefit plans	Exchange differences on translation	Others	Total
Deferred tax assets:				
Balance on January 1, 2022	\$ 16,632	10,899	9,521	37,052
Recognized in profit (loss)	(513)	-	4,750	4,237
Recognized in other comprehensive income	(3,054)	(1,452)	-	(4,506)
Balance on December 31, 2022	\$ 13,065	9,447	14,271	36,783
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	1,178	(323)	-	855
Balance on December 31, 2021	\$ 16,632	10,899	9,521	37,052

(Continued)

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

	Unrealized gains (losses) on financial assets	Overseas investment income accounted under the equity method	Others	Total
Deferred tax liabilities:				
Balance on January 1, 2022	\$ 101,576	59,025	3,691	164,292
Recognized in (profit) loss	-	18,265	1,198	19,463
Recognized in other comprehensive income	(16,509)	-	-	(16,509)
Balance on December 31, 2022	<u>\$ 85,067</u>	<u>77,290</u>	<u>4,889</u>	<u>167,246</u>
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>

(iii) Assessment of tax

The tax returns of the Company and its R.O.C. subsidiaries for the years through 2020 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 520,206	520,206
Treasury share transactions	65,295	61,912
Other	<u>1,241</u>	<u>1,241</u>
	<u>\$ 586,742</u>	<u>583,359</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.

(Continued)

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. 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.

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.

(Continued)

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

Base on the resolutions of the annual stockholders' meeting held on May 26, 2022 and July 1, 2021, the appropriations of dividends from the distributable retained earnings of 2021 and 2020, respectively, were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.5	<u><u>343,205</u></u>	2.2	<u><u>302,020</u></u>

On March 13, 2023, the Company's Board of Directors resolved to appropriate to 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.6	<u><u>219,651</u></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, 2022 and 2021, 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:

	December 31, 2022		December 31, 2021	
	Shares (thousands)	Amount	Shares (thousands)	Amount
Shan-Loong Investment	<u><u>1,353</u></u>	\$ <u><u>31,863</u></u>	<u><u>1,353</u></u>	<u><u>31,863</u></u>
Fair value		\$ <u><u>43,175</u></u>		<u><u>49,401</u></u>

For the year ended December 31, 2022 and 2021, Shan-Loong Investment, received the cash dividend which was distributed by the Company, amounting to \$3,383 and \$2,978, respectively, which was recorded as capital surplus - treasury share transactions.

(Continued)

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

(o) Earnings per share

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

	<u>2022</u>	<u>2021</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>288,996</u>	<u>415,507</u>
Weighted average number of ordinary shares (thousands)	<u>135,928</u>	<u>135,928</u>
Basic earnings per share (dollars)	\$ <u>2.13</u>	<u>3.06</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment the influence of potential ordinary shares)	\$ <u>288,996</u>	<u>415,507</u>
Weighted average number of ordinary shares (thousands)	135,928	135,928
Dilutive effect of potential ordinary shares (thousands):		
Employee share bonus	<u>797</u>	<u>707</u>
Weighted average number of ordinary shares (after adjustment the influence of potential ordinary shares)	<u>136,725</u>	<u>136,635</u>
Diluted earnings per share (dollars)	\$ <u>2.11</u>	<u>3.04</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

	<u>2022</u>			
	<u>Transportation segment</u>	<u>Gasoline station segment</u>	<u>Other segment</u>	<u>Total</u>
Primary geographical markets:				
Taiwan	\$ 2,909,409	13,750,564	1,571,219	18,231,192
Vietnam	<u>287,571</u>	<u>-</u>	<u>-</u>	<u>287,571</u>
	<u>\$ 3,196,980</u>	<u>13,750,564</u>	<u>1,571,219</u>	<u>18,518,763</u>

(Continued)

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

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

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	\$ 837,419	969,765	854,666
Less: allowance for impairment	(23,334)	(3,069)	(3,069)
Unearned interests	(7,152)	-	-
	<u>\$ 806,933</u>	<u>966,696</u>	<u>851,597</u>
Contract liabilities – Unearned revenue	<u>\$ 23,940</u>	<u>21,815</u>	<u>13,577</u>

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

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.

(q) Employee compensation and directors' 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.

(Continued)

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

The Company's remuneration to employees were both \$22,000, and the remuneration to directors were both \$0 for the years ended December 31, 2022 and 2021. 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 2022 and 2021.

The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions in 2022 and 2021. Related information would be available at the Market Observation Post System Website.

(r) 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, 2022 and 2021, the accounts receivable amounted to \$288,003 and \$316,669, 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)(c). Other financial assets measured at amortized cost include other receivables, please refer to note (6)(d).

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:

	<u>2022</u>	<u>2021</u>
Balance on January 1 (same as balance on December 31)	\$ <u><u>13,100</u></u>	<u><u>13,100</u></u>

(Continued)

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

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1~2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Short-term borrowings	\$ 40,000	(40,300)	(40,300)	-	-
Notes and accounts payable	1,544,695	(1,544,695)	(1,544,695)	-	-
Other payables	391,241	(391,241)	(391,241)	-	-
Lease liabilities (including current and non-current)	993,635	(1,036,630)	(213,499)	(184,851)	(638,280)
Long-term borrowings (including current portion)	1,479,000	(1,527,272)	(125,988)	(1,191,447)	(209,837)
Guarantee deposits received	13,032	(13,032)	-	-	(13,032)
	<u>\$ 4,461,603</u>	<u>(4,553,170)</u>	<u>(2,315,723)</u>	<u>(1,376,298)</u>	<u>(861,149)</u>
December 31, 2021					
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>

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, 2022</u>			<u>December 31, 2021</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	\$ 10,327	USD/TWD =30.710	317,142	6,127	USD/TWD =27.680	169,595
Non-Monetary items						
CNY	46,137	CNY/TWD =4.408	203,371	47,147	CNY/TWD =4.344	204,805

(Continued)

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, 2022 and 2021, would have increased or decreased the profit before tax by \$15,857 and \$8,480, respectively; and would have increased or decreased the other comprehensive income by \$10,169 and \$10,240, 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, 2022 and 2021, the foreign exchange gains (losses) (including both realized and unrealized) were as follows:

	<u>2022</u>	<u>2021</u>
Foreign exchange gain (loss) (recorded as other gains and losses)	\$ <u>18,527</u>	<u>(4,959)</u>

(iv) Interest rate analysis

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Variable rate instruments (Carrying amount):		
Financial assets	\$ 1,180,842	1,348,100
Financial liabilities	801,700	639,000

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 \$948 and \$1,773, respectively, for the years ended December 31, 2022 and 2021, which would be mainly resulted from the bank deposits and bank loans.

(Continued)

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

(v) Other market price risk

For the years ended December 31, 2022 and 2021, 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:

Prices of securities at the reporting date	2022		2021	
	Other comprehensive income before tax	Profit before tax	Other comprehensive income before tax	Profit before tax
Increasing 5%	\$ <u>98,719</u>	<u>-</u>	<u>122,307</u>	<u>-</u>
Decreasing 5%	\$ <u>(98,719)</u>	<u>-</u>	<u>(122,307)</u>	<u>-</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:

(Continued)

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

	December 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stock listed on domestic markets	\$ 1,595,869	1,595,869	-	-	1,595,869
Unquoted equity instruments	<u>378,510</u>	-	-	378,510	378,510
Subtotal	<u>1,974,379</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	1,057,797	-	-	-	-
Notes and accounts receivable, net	455,219	-	-	-	-
Notes and accounts receivable- related parties, net	351,714	-	-	-	-
Other current financial assets	460,317	-	-	-	-
Refundable deposits (recorded as other non-current assets)	<u>191,440</u>	-	-	-	-
Subtotal	<u>2,516,487</u>				
	<u>\$ 4,490,866</u>				
Financial liabilities measured at amortized costs					
Short-term borrowings	\$ 40,000	-	-	-	-
Notes and accounts payable	1,544,695	-	-	-	-
Other payables	391,241	-	-	-	-
Lease liabilities (including current and non-current)	993,635	-	-	-	-
Long-term borrowings (including current portion)	1,479,000	-	-	-	-
Guarantee deposits	<u>13,032</u>	-	-	-	-
	<u>\$ 4,461,603</u>				

(Continued)

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

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

(Continued)

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, 2022 and 2021.

(Continued)

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

6) Reconciliation of Level 3 fair values

	Financial assets at fair value through other comprehensive income
	<u>Unquoted equity instruments</u>
Balance on January 1, 2022	\$ 386,384
Total gains and losses recognized:	
In other comprehensive income	52,302
Proceeds of capital reduction of investment	(60,176)
Balance on December 31, 2022	<u>\$ 378,510</u>
Balance on January 1, 2021	\$ 466,390
Total gains and losses recognized:	
In other comprehensive income	(11,171)
Purchase	7,939
Derecognized	(76,774)
Balance on December 31, 2021	<u>\$ 386,384</u>

For the years ended December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ 52,302	(44,230)

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.

(Continued)

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

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% on December 31, 2022 and 2021)	· The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
"	"	· EV/EBIT (8.91~19.36 on December 31, 2021)	· The higher the multiple is, the higher the fair value will be.
"	"	· Price-Book ratio (0.73~2.6 and 0.91~1.6, respectively, on December 31, 2022 and 2021)	"
"	"	· EV/SALES (0.9~2.18 on December 31, 2022)	"
"	"	· EV/EBITDA (4.30~9.99 on December 31, 2022)	· The higher the EBITDA multiple is, the higher the fair value will be.
"	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:

		Move up or	Other comprehensive income	
	Input	down	Favorable change	Unfavorable change
December 31, 2022				
Financial assets at fair value through other comprehensive income	Lack-of-Marketability discount rate	5%	\$ 4,990	(4,971)
"	Price-to-Book Ratio	5%	\$ 4,303	(4,285)
"	EV/SALES	5%	\$ 699	(698)
"	EV/EBITDA	5%	\$ 5,372	(5,355)
December 31, 2021				
Financial assets at fair value through other comprehensive income	Lack-of-Marketability discount rate	5%	\$ 4,616	(4,686)
"	EV/EBIT	5%	\$ 3,376	(3,443)
"	Price-to-Book Ratio	5%	\$ 7,616	(7,684)

(Continued)

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

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.

(s) 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.

(Continued)

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

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.

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, 2022 and 2021, 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(i) and 6(j) for the unused credit lines of short-term and long-term loans as of December 31, 2022 and 2021.

(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.

(Continued)

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

2) Interest rate risk

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

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.

(t) 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, 2022 and 2021, the debt ratios of the Group were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,772,402	4,896,414
Total assets	9,787,675	10,353,197
Debt-to-asset ratio	49 %	47 %

As of December 31, 2022, there were no changes in the Group's approach of capital management.

(u) 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, 2022 and 2021, were as follows:

- (i) The acquisition of right-of-use assets by lease, please refer to notes (6)(h) and (6)(k).

(Continued)

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

(ii) Reconciliation of liabilities arising from financing activities was as follows:

	January 1, 2022	Cash flows	Non-cash changes Changes in lease payments and others	December 31, 2022
Short-term borrowings	\$ 40,000	-	-	40,000
Long-term borrowings	1,274,700	204,300	-	1,479,000
Guarantee deposits	18,262	(5,230)	-	13,032
Lease liabilities	1,099,548	(227,800)	121,887	993,635
Total liabilities from financing activities	<u>\$ 2,432,510</u>	<u>(28,730)</u>	<u>121,887</u>	<u>2,525,667</u>

	January 1, 2021	Cash flows	Non-cash changes Changes in lease payments and others	December 31, 2021
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>

(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:

Name of related party	Relationship with the Group
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
Shine Far Electromechanical Co., Ltd.	Its parent company is the corporate director of the Company

(Continued)

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

Name of related party	Relationship with the Group
Gemtech Optoelectronics Corp.	The relationship between the chairman of the Company and of this Company is within second degree of kinship
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
Zhonglong International Co., Ltd.	It has the same chairman as that of the Board of the Company since December 2022
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
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
Zhongming International Limited	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

(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>
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:

	<u>Sales</u>	
	<u>2022</u>	<u>2021</u>
Other related parties	\$ 1,919,440	2,013,113
Associates	226	78
	<u>\$ 1,919,666</u>	<u>2,013,191</u>

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

(ii) Receivables from related parties

The receivables from related parties were as follows:

<u>Account</u>	<u>Related-party categories</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Accounts receivables	Other related parties —Cheng Loong	\$ 227,318	266,188
Accounts receivables	Other related parties	60,759	50,524
Accounts receivables	Associates	23	15
Installment sales receivable, net (recorded as notes and accounts receivable due from related parties, net)	Other related parties	63,614	-
Other receivables (recorded as other current financial assets)	Other related parties	360	1,439
		<u>\$ 352,074</u>	<u>318,166</u>

(Continued)

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

(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>2022</u>	<u>2021</u>
Operating costs and operating expenses	Other related parties	\$ 48,093	42,143
"	Associates	7,228	2,245
		<u>\$ 55,321</u>	<u>44,388</u>

As of December 31, 2022, the Group paid freight to other related parties in advance in the amount of \$10,000, which was recorded as other current assets.

(iv) Property transactions

1) Purchases of property, plant and equipment

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>2022</u>	<u>2021</u>
Other related parties	\$ 1,235	14,868
Associates	26,669	18,969
	<u>\$ 27,904</u>	<u>33,837</u>

2) The associates provided system integration development services to the Group, and the amount of system development for the year ended December 31, 2022, was \$38,843. As of December 31, 2022, the development project had not been completed, and the accounts were recorded as prepayments for business facilities (other non-current assets).

3) Disposal of transportation equipment

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

	Total price		Other receivables from related parties	
			December 31, 2022	December 31, 2021
	2022	2021		
Other related parties	\$ -	1,262	-	-

For the years ended December 31, 2022 and 2021, the losses on disposal of transportation equipment amounted to \$0 and \$483, respectively.

(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, 2022</u>	<u>December 31, 2021</u>
Accounts payable	Other related parties	\$ 15,922	1,008
Other payables	Other related parties	362	2,659
"	Associates	2,057	3,421
		<u>\$ 18,341</u>	<u>7,088</u>

(vi) 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, 2022</u>	<u>December 31, 2021</u>	<u>2022</u>	<u>2021</u>
Other related parties — Cheng Loong	\$ 49,702	65,663	586	2,643
Key management personnel of the Group	-	-	-	1
	<u>\$ 49,702</u>	<u>65,663</u>	<u>586</u>	<u>2,644</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 as other income)</u>		<u>Other receivables from related parties</u>	
	<u>2022</u>	<u>2021</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Other related parties	<u>\$ 923</u>	<u>3,000</u>	<u>-</u>	<u>-</u>

(vii) Service revenue

For the year ended December 31, 2022, the Group signed an agreement with its associates to provide management and technical services. The income recognized as a result of the above services was \$9,000, which was recorded as other income, and the above amount had been received as of December 31, 2022.

(Continued)

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

(c) Key management personnel compensation

Key management personnel compensation comprised:

	<u>2022</u>	<u>2021</u>
Short-term employee benefits	\$ 52,296	46,321
Post-employment benefits	<u>312</u>	<u>442</u>
	<u><u>\$ 52,608</u></u>	<u><u>46,763</u></u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>
Property, plant and equipment—land	Long-term borrowings	\$ 90,562	90,562
Property, plant and equipment—buildings	"	12,222	13,941
Refundable deposits (deposit certificate, recorded as other non-current assets)	Deposits for performance guarantee	<u>46,235</u>	<u>79,332</u>
		<u><u>\$ 149,019</u></u>	<u><u>183,835</u></u>

(9) Significant commitments and contingencies:

- (a) As of December 31, 2022 and 2021, the Group's unrecognized contractual commitments for gas station engineering, office renovation and computer information system amounted to \$28,597 and \$2,671, respectively.
- (b) As of December 31, 2022 and 2021, the Group had outstanding stand-by letters of credit provided by the banks totaling \$2,096,000 and \$2,026,000, 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:

By item	2022			2021		
	Operating cost	Operating Expenses	Total	Operating cost	Operating Expenses	Total
Employee benefits						
Salary	420,118	665,498	1,085,616	488,880	763,981	1,252,861
Labor and health insurance	38,065	67,782	105,847	43,529	73,541	117,070
Pension	21,355	33,357	54,712	24,418	34,281	58,699
Others	2,986	23,505	26,491	3,219	23,112	26,331
Depreciation	207,308	278,616	485,924	224,050	266,973	491,023
Amortization	-	-	-	-	-	-

(Continued)

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, 2022.

(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	2,410,548	150,000	150,000	-	-	3.11 %	4,821,097	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, 2022 (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: 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	529,937	1.75%	529,937	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	72,589	19.29%	72,589	3,644	19.29 %	
The Company	Cheng Loong investment Co., Ltd. stock	-	Non current financial assets at fair value through other comprehensive income	600	26,187	4.62%	26,187	600	4.62 %	
The Company	Shin Loong Lifecare Corp. stock	-	Non current financial assets at fair value through other comprehensive income	350	1,799	5.83%	1,799	350	5.83 %	
The Company	Yueh Loong Co., Ltd. stock	-	Non current financial assets at fair value through other comprehensive income	323	10,380	10.78%	10,380	323	10.78 %	
The Company	Shine Far Co., Ltd. stock	-	Non current financial assets at fair value through other comprehensive income	270	10,949	0.87%	10,949	270	0.87 %	

(Continued)

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 (%)	
Shan Loong Investment Co., Ltd.	Stocks: Cheng Loong Corporation stock	-	Non-current financial assets at fair value through other comprehensive income	31,819	870,242	2.87%	870,242	31,819	2.87 %	Note 1
"	Shan Loong Transportation Co., Ltd. stock	Parent company	Non current financial assets at fair value through other comprehensive income	1,353	43,175	0.99%	43,175	1,353	0.99 %	
"	Cheng Loong investment Co., Ltd. stock	-	Non current financial assets at fair value through other comprehensive income	1,200	52,317	9.23%	52,317	1,200	9.23 %	
"	Yueh Loong Co., Ltd. stock	-	Non current financial assets at fair value through other comprehensive income	29	918	0.95%	918	29	0.95 %	
Shan Loong Customs Broker	Stocks: Cheng Loong Corporation stock	-	Non current financial assets at fair value through other comprehensive income	7,155	195,690	0.65%	195,690	7,155	0.65 %	
Shan-Loong International	Chung Loong Paper Holdings Limited	-	Non-current financial assets at fair value through other comprehensive income	1,339	203,371	5.00%	203,371	1,339	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
- (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	(1,316,025)	(7.72)%	20-80 days	There is no difference to those of the third-party	No difference	Accounts receivable 212,529	34.97%	
Shan Loong Motors	The Company	Parent company	Revenue from truck sales, maintenance and repair	(401,207)	(46.67)%	25 days	"	"	Accounts receivable 21,965	18.98%	Note 1

(Continued)

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

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)	
Shan Loong international & Customs Broker Co., Ltd.	Cheng Loong	This Company is the corporate director of the Company	Customs agent revenue	(135,450)	(18.53)%	60 days	"	"	Accounts receivable 14,789	29.89%	
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	(167,791)	(22.96)%	25 days	"	"	Accounts receivable 3,724	7.53%	
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	(129,528)	(45.04)%	60 days	"	"	Accounts receivable 32,556	69.53%	

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	212,529	5.69	-		Accounts receivable 88,362	-

Note 1: Information as of February 24, 2023.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

No. (Note1)	Name of company	Name of counter-party	Nature of relationship (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	401,207	The selling price and payment conditions are not significantly different from other customers	2.20%
1	Shan Loong Motors	The Company	2	Accounts receivable	21,965	The selling price and payment conditions are not significantly different from other customers	0.22%

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.

(Continued)

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

(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, 2022 (Note 1)	December 31, 2021 (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%	967,206	61,167	57,784	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%	327,855	26,201	26,201	13,100	100.00 %	"
The Company	Shan-Loong International	British Virgin Islands	Investing activities	308,543 (USD10,047 thousand)	308,543 (USD10,047 thousand)	10,047	100.00%	768,408	91,325	91,325	10,047	100.00 %	"
The Company	Shang Loong Motors	New Taipei City	Truck repair, maintenance and sales	200,000	200,000	20,000	100.00%	236,802	28,223	20,325	20,000	100.00 %	"
The Company	Ko Loong Industry	New Taipei City	Synthetic resin and plastic manufacturing	28,655	28,655	2,014	19.75%	65,129	9,905	1,955	2,014	19.75 %	-
								2,365,400		197,590			
Shan-Loong International	Long Yun	Samoa	Investing activities	25,213 (USD821 thousand)	25,213 (USD821 thousand)	821	100.00%	234,394	(188)	Investment gains and losses recognized by its parent company	821	100.00 %	Subsidiary company (Note3)
Shan-Loong International	Loong De	Samoa	Investing activities	31,324 (USD1,020 thousand)	31,324 (USD1,020 thousand)	1,020	100.00%	61,823	9,544	"	1,020	100.00 %	"
Loong De	Shan-Loong Logistics Co., Ltd.	Vietnam	Warehousing, freight transportation and related agent	31,324 (USD1,020 thousand)	31,324 (USD1,020 thousand)	-	51.00%	39,848	18,706	"	-	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 (Note1)	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)	(Note1)	177,565 (USD 5,782 thousand)	-	-	177,565 (USD 5,782 thousand)	-%	-%	-	-	-	-
Shanghai Shan Tong	Warehousing, freight transportation and related agent	22,040 (RMB5,000 thousand) (Note 7)	(Note1)	43,450 (USD812 thousand and RMB4,200 thousand)	-	-	43,450 (USD812 thousand and RMB4,200 thousand)	60.00%	60.00%	(1,258)	(755)	233,837	-
Loong Fu Paper (Kunsan) Co., Ltd.	Corrugated paper boxes, cardboard and paper products	307,100 (USD10,000 thousand)	(Note1)	34,242 (USD1,115 thousand)	-	-	34,242 (USD1,115 thousand)	5.00%	5.00%	(Note 4)	(Note 4)	(Note 4)	-

(Continued)

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)							
Cheng Loong (Gwangtung) Paper Co., Ltd.	Cardboard, paper boxes, paper products and packing decoration printing	952,010 (USD31,000 thousand)	(Note1)	26,073 (USD849 thousand)	-	-	26,073 (USD849 thousand)	5.00%	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Zhangzhou Cheng Loong Paper Co., Ltd.	Cardboard, paper boxes and paper products	392,474 (USD12,780 thousand)	(Note1)	19,593 (USD638 thousand)	-	-	19,593 (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)	(Note1)	4,607 (USD150 thousand)	-	-	4,607 (USD150 thousand)	-%	-%	-	-	-	-
Tianjin Chung Loong Paper Co., Ltd.	Corrugated cardboard, paper boxes, paper pallets and paper products	(Note 8)	(Note1)	15,386 (USD501 thousand)	-	-	15,386 (USD501 thousand)	-%	-%	-	-	-	-
Suzhou Cheng Loong Paper Co., Ltd.	Cardboard	568,135 (USD18,500 thousand)	(Note1)	5,374 (USD175 thousand)	-	-	5,374 (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	414,585 (USD13,500 thousand)	(Note1)	5,190 (USD169 thousand)	-	-	5,190 (USD169 thousand)	5.00%	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Chengdu Cheng Loong Packing Products Co., Ltd.	Corrugated cardboard, paper boxes, paper pallets and paper products	124,253 (USD4,046 thousand)	(Note1)	3,839 (USD125 thousand)	-	-	3,839 (USD125 thousand)	5.00%	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Henan Cheng Loong Packing Products Co., Ltd.	Corrugated cardboard and packaging products	306,793 (USD9,990 thousand)	(Note1)	12,867 (USD419 thousand)	-	-	12,867 (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, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
348,186 (USD10,735 thousand and RMB4,200 thousand)	348,186 (USD10,735 thousand and RMB4,200 thousand)	2,892,658

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 Group recognized its investment profit and loss in Shanghai Shan Tong based on the investees' self-reported financial statements. On the other hand, the Group did not used the equity method in investing in the remaining invested companies; hence, no profit or loss was recognized in the current 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.

(Continued)

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

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 %
YE, CYONG - MIAO		9,578,000	6.97 %
Shine Far Co., Ltd.		8,367,944	6.09 %

(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).

(Continued)

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

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

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

	2022				
	Freight segment	Gas station segment	Others	Reconciliation and elimination	Total
Revenues:					
Revenues from external customers	\$ 3,196,980	13,750,564	1,571,219	-	18,518,763
Intersegment revenues	-	230,446	416,419	(646,865)	-
Total revenues	<u>\$ 3,196,980</u>	<u>13,981,010</u>	<u>1,987,638</u>	<u>(646,865)</u>	<u>18,518,763</u>
Reportable segment profit (loss)	<u>\$ 107,718</u>	<u>313,004</u>	<u>125,798</u>	<u>(200,197)</u>	<u>346,323</u>
Depreciation	<u>\$ 179,745</u>	<u>234,041</u>	<u>77,294</u>	<u>(5,156)</u>	<u>485,924</u>
Reportable segment assets					<u>\$ 9,787,675</u>

	2021				
	Freight segment	Gas station segment	Others	Reconciliation and elimination	Total
Revenues:					
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>

(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>	2022	2021
Taiwan	\$ 18,231,192	18,563,000
China	-	8
Vietnam	287,571	249,155
	<u>\$ 18,518,763</u>	<u>18,812,163</u>

(ii) Non-current asset:

<u>Geographical information</u>	December 31, 2022	December 31, 2021
Taiwan	\$ 4,965,828	4,919,031
China	533	1,457
Vietnam	9,329	10,829
	<u>\$ 4,975,690</u>	<u>4,931,317</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.

(Continued)

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

(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, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
A customer of freight segment and gas station segment	<u>\$ 1,908,046</u>	<u>2,004,040</u>

V. The Parent Company-only Financial Statements for the Most Recent Fiscal Year, Certified by the CPA



安侯建業聯合會計師事務所
KPMG

台北市110615信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 110615, Taiwan (R.O.C.)

電話 Tel + 886 2 8101 6666
傳真 Fax + 886 2 8101 6667
網址 Web kpmg.com/tw

Independent Auditors' Report

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

Opinion

We have audited the financial statements of Shan-Loong Transportation Co., Ltd. ("the Company"), which comprise the balance sheets as of December 31, 2022 and 2021, the statements of comprehensive income, changes in equity and cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the Standards on Auditing of the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirement. 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 financial statements of the current period. These matters were addressed in the context of our audit of the 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:

Revenue recognition

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

Description of key audit matter:

The main activities of the Company include freight transportation, container trucking, and gas station. Revenue recognition is one of the significant matters of the 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 Company'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 Company's timing on revenue recognition and the amounts recognized are in accordance with the related standards.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance (including the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 Standards on Auditing of 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 financial statements.

As part of an audit in accordance with the Standards on Auditing of the Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 investment in other entities accounted for using the equity method to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

KPMG

Taipei, Taiwan (Republic of China)
March 13, 2023

Notes to Readers

The accompanying financial statements are intended only to present the 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 financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SHAN-LOONG TRANSPORTATION CO., LTD.

Balance Sheets

December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollars)

Assets		December 31, 2022		December 31, 2021		Liabilities and Equity		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:											
1100	Cash and cash equivalents (note (6)(a))	\$	463,988	5	513,998	5	2150	Notes and accounts payable (note (7))	\$	1,400,014	15
1170	Notes and accounts receivable, net (note (6)(c))		394,533	4	520,683	5	2200	Other payables (note (7))		357,670	4
1180	Notes and accounts receivable due from related parties, net (notes (6)(c) and (7))		213,180	2	251,985	3	2230	Current income tax liabilities		-	-
1476	Other current financial assets (notes (6)(d) and (7))		36,525	-	28,350	-	2280	Current lease liabilities (notes (6)(k) and (7))		198,809	2
1300	Inventories, net (note (6)(e))		218,300	3	209,587	2	2130	Current contract liabilities (note (6)(p))		23,940	-
1479	Other current assets (note (7))		87,311	1	39,624	1	2250	Provisions		11,540	-
			1,413,837	15	1,564,227	16	2399	Other current liabilities		5,486	-
Non-current assets:											
1517	Non-current financial assets at fair value through other comprehensive income (note (6)(b))		651,841	7	806,718	8	2320	Long-term borrowings, current portion (note (6)(j))		100,000	1
1550	Investments accounted for using the equity method, net (note (6)(f))		2,365,400	26	2,508,995	26				2,097,459	22
1600	Property, plant and equipment (notes (6)(g) 、(7) and (8))		3,603,153	39	3,577,741	36	Non-current liabilities:				
1755	Right-of-use assets (note (6)(h))		960,936	10	1,067,859	11	2540	Long-term borrowings (note (6)(j))		1,379,000	15
1840	Deferred income tax assets (note (6)(m))		32,090	-	36,360	-	2570	Deferred income tax liabilities (note (6)(m))		127,048	1
1990	Other non-current assets (notes (7) and (8))		283,971	3	232,129	3	2580	Non-current lease liabilities (notes (6)(k) and (7))		789,807	9
			7,897,391	85	8,229,802	84	2640	Non-current net defined benefit liability (note (6)(l))		84,935	1
							2645	Guarantee deposits received		11,882	-
										2,392,672	26
										4,490,131	48
								</			

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SHAN-LOONG TRANSPORTATION CO., LTD.

Statement of Comprehensive Income

For the years ended December 31, 2022 and 2021

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

		2022		2021	
		Amount	%	Amount	%
4000	Operating revenue (notes (6)(p) and (7))	\$ 17,057,153	100	17,237,755	100
5000	Operating costs (notes (6)(e), (6)(l), (7) and (12))	15,694,130	92	15,572,968	90
5900	Gross profit from operations	1,363,023	8	1,664,787	10
	Operating expenses (notes (6)(l), (7) and (12)):				
6100	Selling expenses	547,573	3	543,308	3
6200	Administrative expenses	756,518	5	828,483	5
		1,304,091	8	1,371,791	8
6900	Net operating income	58,932	-	292,996	2
	Non-operating income and expenses:				
7010	Other income (note (7))	67,109	1	64,601	-
7020	Other gains and losses, net (note (6)(k))	(439)	-	3,267	-
7050	Finance costs (note (6)(k) and (7))	(36,330)	-	(30,488)	-
7100	Interest income	2,111	-	1,853	-
7130	Dividend income	38,636	-	34,877	-
7210	Gains (losses) on disposals of property, plant and equipment (note (7))	6,360	-	283	-
7070	Share of profit (loss) of subsidiaries, associates and joint ventures accounted for using the equity method (note (6)(f))	197,590	1	130,222	1
7590	Miscellaneous disbursements	(11,497)	-	(14,612)	-
		263,540	2	190,003	1
7900	Profit before tax	322,472	2	482,999	3
7950	Less: Income tax expenses (note (6)(m))	33,476	-	67,492	-
8200	Profit	288,996	2	415,507	3
8300	Other comprehensive income:				
8310	Items that may not be reclassified subsequently to profit or loss:				
8311	Gains (losses) on remeasurements of defined benefit plans (note (6)(l))	15,272	-	(5,890)	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(154,877)	(1)	59,284	-
8330	Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures accounted for using the equity method, components of other comprehensive income that will not be reclassified to profit or loss (note (6)(f))	(244,570)	(1)	(8,647)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss (note (6)(m))	5,820	-	(7,418)	-
		(389,995)	(2)	52,165	-
8360	Items that may be reclassified subsequently to profit or loss:				
8361	Exchange differences on translation of foreign financial statements	7,260	-	1,615	-
8399	Income tax related to components of other comprehensive income that may be reclassified to profit or loss (note (6)(m))	1,452	-	323	-
		5,808	-	1,292	-
8300	Other comprehensive income (loss)	(384,187)	(2)	53,457	-
8500	Total comprehensive income	\$ (95,191)	-	468,964	3
	Earnings per share (note (6)(o))				
9750	Basic earnings per share	\$ 2.13		3.06	
9850	Diluted earnings per share	\$ 2.11		3.04	

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)

SHAN-LOONG TRANSPORTATION CO., LTD.**Statement of Changes in Equity****For the years ended December 31, 2022 and 2021****(expressed in thousands of New Taiwan Dollars)**

						Other equity				
				Retained earnings		Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Total other equity	Treasury shares	Total equity
	Ordinary shares	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings					
Balance on January 1, 2021	\$ 1,372,818	580,381	445,013	1,345,129	1,790,142	(23,229)	1,397,939	1,374,710	(31,863)	5,086,188
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	36,061	(36,061)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(302,020)	(302,020)	-	-	-	-	(302,020)
	-	-	36,061	(338,081)	(302,020)	-	-	-	-	(302,020)
Profit (loss) for the year ended December 31, 2021	-	-	-	415,507	415,507	-	-	-	-	415,507
Other comprehensive income (loss) for the year ended December 31, 2021	-	-	-	(4,712)	(4,712)	1,292	56,877	58,169	-	53,457
Total comprehensive income (loss) for the year ended December 31, 2021	-	-	-	410,795	410,795	1,292	56,877	58,169	-	468,964
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	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)	-	-
Balance on December 31, 2021	1,372,818	583,359	481,074	1,463,075	1,944,149	(21,937)	1,409,584	1,387,647	(31,863)	5,256,110
Appropriation and distribution of retained earnings:										
Legal reserve appropriated	-	-	45,602	(45,602)	-	-	-	-	-	-
Cash dividends on ordinary share	-	-	-	(343,205)	(343,205)	-	-	-	-	(343,205)
	-	-	45,602	(388,807)	(343,205)	-	-	-	-	(343,205)
Profit (loss) for the year ended December 31, 2022	-	-	-	288,996	288,996	-	-	-	-	288,996
Other comprehensive income (loss) for the year ended December 31, 2022	-	-	-	12,218	12,218	5,808	(402,213)	(396,405)	-	(384,187)
Total comprehensive income (loss) for the year ended December 31, 2022	-	-	-	301,214	301,214	5,808	(402,213)	(396,405)	-	(95,191)
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	3,383	-	-	-	-	-	-	-	3,383
Balance on December 31, 2022	\$ 1,372,818	586,742	526,676	1,375,482	1,902,158	(16,129)	1,007,371	991,242	(31,863)	4,821,097

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SHAN-LOONG TRANSPORTATION CO., LTD.

Statement of Cash Flows

For the years ended December 31, 2022 and 2021

(expressed in thousands of New Taiwan Dollars)

	2022	2021
Cash flows from (used in) operating activities:		
Profit before tax	\$ 322,472	482,999
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	470,777	483,523
Interest expense	36,330	30,488
Interest income	(2,111)	(1,853)
Dividend income	(38,636)	(34,877)
Share of profit of subsidiaries, associates and joint ventures accounted for using the equity method	(197,590)	(130,222)
Loss (gain) on disposal of property, plant and equipment and others	(6,370)	(6,566)
	<u>262,400</u>	<u>340,493</u>
Changes in operating assets and liabilities:		
Decrease (increase) in notes and accounts receivable	164,955	(71,915)
Decrease (increase) in inventories	(8,713)	(24,969)
Decrease (increase) in other current financial assets	(10,590)	2,257
Decrease (increase) in other current assets	(38,936)	(8,988)
Increase (decrease) in notes and accounts payable	(49,836)	135,473
Increase (decrease) in contract liabilities	2,346	8,308
Increase (decrease) in provisions	(7,323)	(7,129)
Increase (decrease) in other payables and other current liabilities	(87,708)	28,185
Increase (decrease) in net defined benefit liabilities	22	(1,810)
	<u>(35,783)</u>	<u>59,412</u>
Total adjustments	<u>226,617</u>	<u>399,905</u>
Cash inflow (outflow) generated from (used in) operations	549,089	882,904
Dividends received	145,894	116,078
Interest paid	(36,330)	(30,488)
Interest received	2,111	1,853
Income taxes paid	(56,608)	(86,070)
Net cash flows from (used in) operating activities	<u>604,156</u>	<u>884,277</u>
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	-	(7,672)
Acquisition of investments accounted for using the equity method	-	(164,000)
Acquisition of property, plant and equipment	(320,917)	(186,797)
Proceeds from disposal of property, plant and equipment	85,118	86,025
Decrease (increase) in refundable deposits	28,725	(14,389)
Decrease (increase) in prepayments for business facilities	(78,152)	(29,979)
Net cash flows from (used in) investing activities	<u>(285,226)</u>	<u>(316,812)</u>
Cash flows from (used in) financing activities:		
Proceeds from long-term borrowings	304,300	200,000
Repayments of long-term borrowings	(100,000)	(100,000)
Increase (decrease) in guarantee deposits received	(5,230)	1,436
Payment of lease liabilities	(224,805)	(230,358)
Cash dividends paid	(343,205)	(302,020)
Net cash flows from (used in) financing activities	<u>(368,940)</u>	<u>(430,942)</u>
Net increase (decrease) in cash and cash equivalents	(50,010)	136,523
Cash and cash equivalents at beginning of period	513,998	377,475
Cash and cash equivalents at end of period	<u>\$ 463,988</u>	<u>513,998</u>

See accompanying notes to financial statements.

(English Translation of Parent Company Only Financial Statements Originally Issued in Chinese)
SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

(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 major business activities of the Company are freight transportation, container trucking, and gas station, etc.

(2) Approval date and procedures of the financial statements

These financial statements were authorized for issue by the Board of Directors on March 13, 2023.

(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 Company has initially adopted the following new amendments, which do not have a significant impact on its financial statements, from January 1, 2022:

- 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”

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

The Company assesses that the adoption of the following new amendments, effective for annual period beginning on January 1, 2023, would not have a significant impact on its financial statements:

- 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”

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

The Company 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 financial statements:

- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture”

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

- 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 “Non-current Liabilities with Covenants”
- Amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9 – Comparative Information”
- IFRS16 “Requirements for Sale and Leaseback Transactions”

(4) Summary of significant accounting policies:

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

(a) Statement of compliance

These financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the 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)(o).

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The 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.
Notes to the Financial Statements

(c) Foreign currencies

(i) Foreign currency transaction

Transactions in foreign currencies are translated into the respective functional currencies of the Company 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 Company 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 Company 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.

(d) 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
- (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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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 Company 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.

(e) 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 Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) 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 Company 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 trade 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 Company 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.

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:

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

- 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 Company 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 Company's right to receive payment is established.

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 Company 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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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 Company 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 Company'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 Company'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.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company 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 Company 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;

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features)

6) Impairment of financial assets

The Company 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 Company 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 Company 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 Company's historical experience and informed credit assessment as well as forward-looking information.

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

The Company 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 Company in full.

The Company 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 Company 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).

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company 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 Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company 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.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company 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 Company 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 Company's procedures for recovery of amounts due.

7) Derecognition of financial assets

The Company 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

The Company 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 Company 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 Company 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.

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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

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 Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 Company 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.

(g) 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.

(h) Investment in associates

Associates are those entities in which the Company 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 parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of the associates, after adjustments, in order to be consistent with the Company's accounting policies, from the date on which significant influence commences until the date on which significant influence ceases.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

Gains and losses resulting from transactions between the Company and its associate are recognized only to the unrelated Company's interests in the associate. When the Company'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 Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, investment in subsidiaries which are controlled by the Company is accounted for using the equity method. Under the equity method, the amounts of net income, other comprehensive income and equity attributable to shareholders of the Company in the parent-company-only financial statements are equal to those in the consolidated financial statements.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(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 Company.

(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.
Notes to the 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 annual reporting date and adjusted if appropriate.

(k) Lease

At inception of a contract, the Company 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 Company 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 Company's incremental borrowing rate. Generally, the Company 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.
Notes to the 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 Company 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 Company 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 Company 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 Company 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 Company 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 affects only those payments originally due on, or before, June 30, 2022; 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.

Notes to the Financial Statements

(ii) As a lessor

When the Company 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 Company 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 Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company 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 Company 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 Company 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.
Notes to the Financial Statements

(m) Provisions

A provision is recognized if, as a result of a past event, the Company 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 Company expects to be entitled in exchange for transferring goods or services to a customer. The Company 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 Company's main types of revenue are explained below.

1) Sale of goods

The Company sells gas to clients and consumers. The Company 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 Company has a right to an amount of consideration that is unconditional.

2) Freight transportation services

The Company provides freight transportation services. Revenue from providing services is recognized in the accounting period in which the services are rendered.

3) Financing components

The Company 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 Company does not adjust any of the transaction prices for the time value of money.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(o) 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 Company'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 Company, 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 Company 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 Company 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 Company can no longer withdraw the offer of those benefits and when the Company 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 Company 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.

Notes to the Financial Statements

(p) 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 Company 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.

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

- (i) the Company 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:

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

- 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.

(q) Earnings per share

The Company 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.

(r) Operating segments

The operating segment information is disclosed in the consolidated financial statements. Therefore, the Company will not disclose the operating segment information in the parent-company-only financial statements.

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

In preparing these parent-company-only 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 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.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2022	December 31, 2021
Cash on hand	\$ 6,127	6,674
Checking accounts and demand deposits	457,861	507,324
	<u>\$ 463,988</u>	<u>513,998</u>

Please refer to note (6)(r) for the interest rate risk and sensitivity analysis of the financial assets of the Company.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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

	December 31, 2022	December 31, 2021
Equity investments at fair value through other comprehensive income:		
Stocks listed on domestic markets	\$ 529,937	683,977
Stocks unlisted on domestic markets	<u>121,904</u>	<u>122,741</u>
	<u>\$ 651,841</u>	<u>806,718</u>

(i) The Company designated the investments shown above as equity securities at fair value through other comprehensive income because these equity securities represent those investments that the Company intends to hold for long-term strategic purposes.

(ii) In April, 2021, the Company acquired some part of shares of Ko Loong Industry Co., Ltd. (Ko Loong), and the percentage of ownership increased to 19.75%. The Company assessed that it had significant influence over Ko Loong. Therefore, the Company 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, 2022.

(iii) For market risk of the Company, please refer to note (6)(r).

(iv) The Company had not been pledged any financial assets as collateral for its borrowings.

(c) Notes and accounts receivable (including related parties)

	December 31, 2022	December 31, 2021
Notes receivable	\$ 14,584	34,899
Accounts receivable	<u>595,622</u>	<u>740,262</u>
	610,206	775,161
Less: allowance for impairment	<u>(2,493)</u>	<u>(2,493)</u>
	<u>\$ 607,713</u>	<u>772,668</u>
Notes and accounts receivable, net	<u>\$ 394,533</u>	<u>520,683</u>
Notes and accounts receivable due from related parties, net	<u>\$ 213,180</u>	<u>251,985</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

The Company 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, 2022 and 2021, the loss allowance provisions were determined as follows:

December 31, 2022					
	Gross carrying amount		Weighted-average loss rate		Loss allowance provision
	Notes receivable	Accounts receivable	Notes receivable	Accounts receivable	
Aging under 60 days	\$ 12,547	593,638	-%	-%	-
Aging 61~90 days	1,261	19	1%	1%	13
Aging 91~120 days	776	1,771	5%	60%	1,101
Aging 121~150 days	-	-	10%	60%	-
Aging 151~180 days	-	-	10%	80%	-
Aging 181~365 days	-	106	10%	90%	95
Aging over 365 days	-	88	100%	100%	88
	\$ 14,584	595,622			1,297

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	\$ 26,878	735,679	-%	-%	-
Aging 61~90 days	5,533	2,114	1%	1%	76
Aging 91~120 days	2,488	-	5%	60%	124
Aging 121~150 days	-	-	10%	60%	-
Aging 151~180 days	-	-	10%	80%	-
Aging 181~365 days	-	2,381	10%	90%	2,145
Aging over 365 days	-	88	100%	100%	88
	\$ 34,899	740,262			2,433

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

	2022	2021
Balance on January 1 (same as balance on December 31)	\$ 2,493	2,493

As of December 31, 2022 and 2021, the Company did not pledge any notes and accounts receivable as collateral for its borrowings.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(d) Other current financial assets

	December 31, 2022	December 31, 2021
Other receivables	\$ 49,625	39,035
Less: loss allowance	<u>(13,100)</u>	<u>(13,100)</u>
	36,525	25,935
Refundable deposits-current	<u>-</u>	<u>2,415</u>
	<u>\$ 36,525</u>	<u>28,350</u>

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

(e) Inventories

	December 31, 2022	December 31, 2021
Premium Diesel	\$ 40,473	64,801
Unleaded Gasoline #92	57,715	48,328
Unleaded Gasoline #95	84,842	67,696
Unleaded Gasoline #98	30,041	28,427
By-product and other	<u>5,229</u>	<u>335</u>
	<u>\$ 218,300</u>	<u>209,587</u>

The Company recognized as cost of sales amounted to \$12,929,932 and \$12,258,636, respectively, for the years ended December 31, 2022 and 2021.

The gain on physical inventory amounted to \$42,082 and \$40,492, respectively, which was recorded as cost of sales for the years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the Company did not pledge any inventories as collateral for its borrowings.

(f) Investments accounted for using the equity method

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

	December 31, 2022	December 31, 2021
Subsidiaries	\$ 2,300,271	2,437,670
Associates	<u>65,129</u>	<u>71,325</u>
	<u>\$ 2,365,400</u>	<u>2,508,995</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(i) Subsidiaries

Please refer to the consolidated financial statements for the year ended December 31, 2022.

(ii) Associates

- 1) The Company 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 Company acquired additional shares of Ko Loong, resulting in its percentage of ownership to increase to 19.75%. Hence, the Company assessed that it had significant influence over Ko Loong, which led the Company to remeasure the fair value of its assets of the acquisition date, and account it for using the equity method.
- 2) The Company's financial information on investments accounted for using the equity method that are individually insignificant was as follows:

	<u>2022</u>	<u>2021</u>
Attributable to the Company:		
Profit (loss)	\$ 1,955	2,601
Other comprehensive income (loss)	(7,144)	(10,239)
Total comprehensive income (loss)	<u>\$ (5,189)</u>	<u>(7,728)</u>

- (iii) As of December 31, 2022 and 2021, the Company did not provide any investment accounted for using the equity method as collateral for its loans.

(g) Property, plant and equipment

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

	<u>Land</u>	<u>Buildings</u>	<u>Gasoline equipment</u>	<u>Transportation equipment</u>	<u>Miscellaneous equipment</u>	<u>Unfinished construction and equipment under installation</u>	<u>Total</u>
Cost:							
Balance on January 1, 2022	\$ 2,006,541	901,295	155,502	1,988,145	430,186	13,911	5,495,580
Additions	2,730	10,159	10,401	242,781	75,687	4,632	346,390
Disposals	-	(661)	(1,394)	(259,735)	(17,229)	-	(279,019)
Reclassifications	-	90	10,481	-	-	(10,571)	-
Balance on December 31, 2022	<u>\$ 2,009,271</u>	<u>910,883</u>	<u>174,990</u>	<u>1,971,191</u>	<u>488,644</u>	<u>7,972</u>	<u>5,562,951</u>
Balance on January 1, 2021	\$ 2,008,967	810,856	152,190	2,022,782	501,787	-	5,496,582
Additions	-	71,680	3,312	51,581	47,288	13,296	187,157
Disposals	-	(224)	-	(86,218)	(118,889)	-	(205,331)
Reclassifications	(2,426)	18,983	-	-	-	615	17,172
Balance on December 31, 2021	<u>\$ 2,006,541</u>	<u>901,295</u>	<u>155,502</u>	<u>1,988,145</u>	<u>430,186</u>	<u>13,911</u>	<u>5,495,580</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

		Land	Buildings	Gasoline equipment	Transportation equipment	Miscellaneous equipment	Unfinished construction and equipment under installation	Total
Depreciation:								
Balance on January 1, 2022	\$	-	368,635	111,360	1,137,544	300,300	-	1,917,839
Depreciation		-	37,416	11,184	148,757	44,863	-	242,220
Disposals		-	(514)	(1,387)	(181,642)	(16,718)	-	(200,261)
Balance on December 31, 2022	\$	<u>-</u>	<u>405,537</u>	<u>121,157</u>	<u>1,104,659</u>	<u>328,445</u>	<u>-</u>	<u>1,959,798</u>
Balance on January 1, 2021	\$	-	335,278	98,318	1,059,219	297,538	-	1,790,353
Depreciation		-	33,405	13,042	155,953	44,675	-	247,075
Disposals		-	(48)	-	(77,628)	(41,913)	-	(119,589)
Balance on December 31, 2021	\$	<u>-</u>	<u>368,635</u>	<u>111,360</u>	<u>1,137,544</u>	<u>300,300</u>	<u>-</u>	<u>1,917,839</u>
Carrying amounts:								
Balance on December 31, 2022	\$	<u>2,009,271</u>	<u>505,346</u>	<u>53,833</u>	<u>866,532</u>	<u>160,199</u>	<u>7,972</u>	<u>3,603,153</u>
Balance on January 1, 2021	\$	<u>2,008,967</u>	<u>475,578</u>	<u>53,872</u>	<u>963,563</u>	<u>204,249</u>	<u>-</u>	<u>3,706,229</u>
Balance on December 31, 2021	\$	<u>2,006,541</u>	<u>532,660</u>	<u>44,142</u>	<u>850,601</u>	<u>129,886</u>	<u>13,911</u>	<u>3,577,741</u>

- (i) The Company is restricted by the law and cannot acquire any agricultural land using its title deed; therefore, the agricultural lands are registered in the name of the chairman of the Company and other natural persons. As of December 31, 2021, certain parcels of the agricultural land located in Mailiao and Taoyuan, with an aggregate carrying value of \$228,581, was held in the names of the chairman of the Company (Jen-Hao Cheng), the former chairman of the Company and the chairman at the time of the transaction (Wen-Ming Cheng), as well as other natural persons. For the year ended December 31, 2022, certain parcels of the agricultural land had been transferred back to the Company after the change of land category. Moreover, some parts of the above agricultural land was transferred to the chairman of the Company, Jen-Hao Cheng, resulting in the entire agricultural lands located in Mailiao and Taoyuan, with a carrying value of \$215,304, to be registered in his name. Concerning the agricultural land mentioned above, the Company has either “Other rights certificate” of the land or has an agreement with both parties to verify that the Company is the actual owner of the land.
- (ii) As of December 31, 2022 and 2021, the portion of property, plant and equipment of the Company had been pledged as collateral for its credit lines of the bank. Please refer to note (8).

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(h) Right-of-use assets

The Company leases many assets including land and buildings. Information about leases for which the Company 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, 2022	\$ 264,408	1,378,817	14,281	1,657,506
Additions	22,793	99,221	-	122,014
Reductions	<u>-</u>	<u>-</u>	<u>(584)</u>	<u>(584)</u>
Balance on December 31, 2022	<u>\$ 287,201</u>	<u>1,478,038</u>	<u>13,697</u>	<u>1,778,936</u>
Balance on January 1, 2021	\$ 452,955	1,279,117	14,281	1,746,353
Additions	82,162	102,765	-	184,927
Reductions	<u>(270,709)</u>	<u>(3,065)</u>	<u>-</u>	<u>(273,774)</u>
Balance on December 31, 2021	<u>\$ 264,408</u>	<u>1,378,817</u>	<u>14,281</u>	<u>1,657,506</u>
Depreciation:				
Balance on January 1, 2022	\$ 69,243	513,865	6,539	589,647
Depreciation	41,280	184,631	2,646	228,557
Reductions	<u>-</u>	<u>-</u>	<u>(204)</u>	<u>(204)</u>
Balance on December 31, 2022	<u>\$ 110,523</u>	<u>698,496</u>	<u>8,981</u>	<u>818,000</u>
Balance on January 1, 2021	\$ 101,509	335,697	3,885	441,091
Depreciation	52,662	181,132	2,654	236,448
Reductions	<u>(84,928)</u>	<u>(2,964)</u>	<u>-</u>	<u>(87,892)</u>
Balance on December 31, 2021	<u>\$ 69,243</u>	<u>513,865</u>	<u>6,539</u>	<u>589,647</u>
Carrying amount:				
Balance on December 31, 2022	<u>\$ 176,678</u>	<u>779,542</u>	<u>4,716</u>	<u>960,936</u>
Balance on January 1, 2021	<u>\$ 351,446</u>	<u>943,420</u>	<u>10,396</u>	<u>1,305,262</u>
Balance on December 31, 2021	<u>\$ 195,165</u>	<u>864,952</u>	<u>7,742</u>	<u>1,067,859</u>

The Company'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.

(i) Short-term borrowings

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Short-term borrowings	<u>\$ -</u>	<u>-</u>
Unused short-term credit lines	<u>\$ 95,000</u>	<u>515,000</u>
Range of interest rates	<u>-%</u>	<u>-%</u>

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

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(j) Long-term borrowings

	Currency	December 31, 2022	December 31, 2021
Secured bank loans	NTD	\$ 1,479,000	1,274,700
Less: current portion		<u>100,000</u>	<u>1,047,651</u>
		\$ 1,379,000	227,049
Unused long-term credit lines		\$ 200,000	254,300
Range of interest rates		<u>1%~2.17%</u>	<u>0.97%~1.3%</u>
Maturity year		2023~2027	2022~2025

(i) Issuance and repayment of the loans

The Company's additional amounts in loans for the years ended December 31, 2022 and 2021, were \$304,300 and \$200,000, respectively; and the repayments, including prepaying the loans, were both \$100,000.

(ii) As of December 31, 2022, the repayment schedule for the long-term borrowings was as follows:

Period	Amount
2023.01.01~2023.12.31	\$ 100,000
2024.01.01~2024.12.31	1,178,377
2025.01.01~2025.12.31	82,932
2026.01.01~2026.12.31	83,932
2027.01.01~2027.12.31	<u>33,759</u>
	\$ 1,479,000

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

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

(k) Lease liabilities

The lease liabilities of the Company were as follows:

	December 31, 2022	December 31, 2021
Current	\$ 198,809	206,661
Non-current	\$ 789,807	885,136

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

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	<u>2022</u>	<u>2021</u>
The amounts recognized in profit or loss were as follows:		
Interest on lease liabilities	\$ <u>14,446</u>	<u>16,453</u>
Variable lease payments not included in the measurement of lease liabilities	\$ <u>49,976</u>	<u>-</u>
Expenses relating to short-term leases	\$ <u>11,287</u>	<u>16,754</u>
Lease modification gains (recorded as other gains and losses)	\$ <u>(10)</u>	<u>(3,401)</u>

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

	<u>2022</u>	<u>2021</u>
Total cash outflow for leases	\$ <u>300,514</u>	<u>263,565</u>

(i) Leases of land and buildings

The Company leases a number of office space, gas stations, warehouses and land. These leases typically run for a period of 2 to 27 years.

(ii) Other leases

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

(l) Employee benefits

(i) Defined benefit plans

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Present value of the defined benefit obligations	\$ (155,293)	(247,658)
Fair value of plan assets	<u>70,358</u>	<u>147,473</u>
Net defined benefit liabilities	\$ <u>(84,935)</u>	<u>(100,185)</u>

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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

The Company's Bank of Taiwan labor pension reserve account balance amounted to \$69,421 as of December 31, 2022. 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:

	2022	2021
Defined benefit obligations at January 1	\$ (247,658)	(305,270)
Benefits paid	99,511	72,920
Pensions for employees who are transferred from affiliated companies	(2,588)	(1,301)
Current service costs and interest cost	(4,760)	(5,704)
Remeasurement in net defined benefit liabilities (assets)	202	(8,303)
Defined benefit obligations at December 31	<u><u>\$ (155,293)</u></u>	<u><u>(247,658)</u></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:

	2022	2021
Fair value of plan assets at January 1	\$ 147,473	209,165
Expected return on plan assets	908	1,297
Remeasurement of net defined benefit liabilities (assets)	15,070	2,413
Contributions paid by the employer	6,418	7,518
Benefits paid	(99,511)	(72,920)
Fair value of plan assets at December 31	<u><u>\$ 70,358</u></u>	<u><u>147,473</u></u>

4) Movements of the effect of the asset ceiling

In 2022 and 2021, there were no movements on the effect of the Company's defined benefit plans asset ceiling.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

5) Expenses recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Current service costs	\$ 3,243	3,829
Interest cost	1,517	1,875
Expected return on plan assets	(908)	(1,297)
	<u>\$ 3,852</u>	<u>4,407</u>
Operating cost	\$ 2,028	2,318
Administration expenses	1,824	2,089
	<u>\$ 3,852</u>	<u>4,407</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>2022</u>	<u>2021</u>
Accumulated amount at January 1	\$ (162,447)	(156,557)
Recognized during the period	15,272	(5,890)
Accumulated amount at December 31	<u>\$ (147,175)</u>	<u>(162,447)</u>

7) Actuarial assumptions

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Discount rate	1.250 %	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 \$3,852.

The weighted average lifetime of the defined benefits plans is 11.70 years.

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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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

	Influences of defined benefit obligations	
	Increased 0.25%	Decreased 0.25%
December 31, 2022		
Discount rate	\$ (2,237)	2,312
Future salary increasing rate	2,312	(2,248)
December 31, 2021		
Discount rate	(5,964)	6,182
Future salary increasing rate	6,074	(5,887)

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 2022 and 2021.

(ii) Defined contribution plans

The Company 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 Company allocates a fixed amount to the Bureau of Labor Insurance without additional legal or constructive obligation.

The Company recognized the pension costs incurred from the contributions to the Bureau of the Labor Insurance amounted to \$45,286 and \$49,276 for the years ended December 31, 2022 and 2021, respectively.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(m) Income taxes

(i) Income tax expenses

1) The components of income tax in the years 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Current tax expenses		
Current period	\$ 16,936	63,947
Land value increment tax	-	2,426
Adjustment for prior periods	<u>(1,726)</u>	<u>97</u>
	<u>15,210</u>	<u>66,470</u>
Deferred tax expenses		
Origination and reversal of temporary differences	19,596	1,226
Under (over) provision in prior periods	<u>(1,330)</u>	<u>(204)</u>
	<u>18,266</u>	<u>1,022</u>
Income tax expenses	<u><u>\$ 33,476</u></u>	<u><u>67,492</u></u>

2) The amounts of income tax recognized directly in other comprehensive income for 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement from defined benefit plans	\$ 3,054	(1,178)
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income	(8,982)	3,813
Share of other comprehensive income of subsidiaries, associates, and joint ventures accounted for using the equity method	<u>11,748</u>	<u>(10,053)</u>
	<u><u>\$ 5,820</u></u>	<u><u>(7,418)</u></u>
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign financial statements	<u><u>\$ 1,452</u></u>	<u><u>323</u></u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

- 3) Reconciliation of income tax and profit before tax for 2022 and 2021 is as follows:

	2022	2021
Profit before tax	\$ <u>322,472</u>	<u>482,999</u>
Income tax calculated based on local tax rate	64,494	96,600
Net gains or losses on domestic investments accounted for using the equity method	(21,253)	(26,629)
Tax-exempt income	(7,727)	(6,975)
Land value increment tax	-	2,426
Under (over) provision in prior periods	(3,056)	(107)
Non-deductible expenses and others	<u>1,018</u>	<u>2,177</u>
Income tax expenses	<u><u>\$ 33,476</u></u>	<u><u>67,492</u></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 2022 and 2021 were as follows:

	Defined benefit plans	Exchange differences on translation	Others	Total
Deferred tax assets:				
Balance on January 1, 2022	\$ 16,632	10,899	8,829	36,360
Recognized in profit (loss)	(513)	-	749	236
Recognized in other comprehensive income	(3,054)	(1,452)	-	(4,506)
Balance on December 31, 2022	<u>\$ 13,065</u>	<u>9,447</u>	<u>9,578</u>	<u>32,090</u>
Balance on January 1, 2021	\$ 15,816	11,222	10,964	38,002
Recognized in profit (loss)	(362)	-	(2,135)	(2,497)
Recognized in other comprehensive income	1,178	(323)	-	855
Balance on December 31, 2021	<u>\$ 16,632</u>	<u>10,899</u>	<u>8,829</u>	<u>36,360</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	Unrealized gains (losses) on financial assets	Share of other comprehensive income accounted for using the equity method	Overseas investment income accounted under the equity method	Others	Total
Deferred tax liabilities:					
Balance on January 1, 2022	\$ 35,057	8,008	59,025	3,690	105,780
Recognized in (profit) loss	-	-	18,265	237	18,502
Recognized in other comprehensive income	(8,982)	11,748	-	-	2,766
Balance on December 31, 2022	<u>\$ 26,075</u>	<u>19,756</u>	<u>77,290</u>	<u>3,927</u>	<u>127,048</u>
Balance on January 1, 2021	\$ 31,244	18,061	59,610	4,580	113,495
Recognized in (profit) loss	-	-	(585)	(890)	(1,475)
Recognized in other comprehensive income	3,813	(10,053)	-	-	(6,240)
Balance on December 31, 2021	<u>\$ 35,057</u>	<u>8,008</u>	<u>59,025</u>	<u>3,690</u>	<u>105,780</u>

(iii) Assessment of tax

The tax returns of the Company for the years through 2020 were assessed by the Taipei National Tax Administration.

(n) Capital and other equity

(i) Ordinary shares

As of December 31, 2022 and 2021, 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:

	December 31, 2022	December 31, 2021
Additional paid-in capital	\$ 520,206	520,206
Treasury share transactions	65,295	61,912
Other	1,241	1,241
	<u><u>\$ 586,742</u></u>	<u><u>583,359</u></u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the 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. 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) Retained 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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

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.

Based on the resolutions of the annual stockholders' meetings held on May 26, 2022 and July 1, 2021, the appropriations of dividends from the distributable retained earnings of 2021 and 2020, respectively, were as follows:

	2021		2020	
	Amount per share	Total amount	Amount per share	Total amount
Dividends distributed to ordinary shareholders:				
Cash	\$ 2.5	<u>343,205</u>	2.2	<u>302,020</u>

On March 13, 2023, the Company's Board of Directors resolved to appropriate the 2022 earnings. These earnings were appropriated as follows:

	2022	
	Amount per share	Total amount
Dividends distributed to ordinary shareholders:		
Cash	\$ 1.6	<u>219,651</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, 2022 and 2021, since the subsidiary of the Company, Shan-Loong Investment, held a number of the ordinary shares of the Company, the Company accounted it under the treasury stock. The total shares and amounts were as follows:

	December 31, 2022		December 31, 2021	
	Shares (thousands)	Amount	Shares (thousands)	Amount
Shan-Loong Investment	<u>1,353</u>	\$ <u>31,863</u>	<u>1,353</u>	<u>31,863</u>
Fair value		\$ <u>43,175</u>		<u>49,401</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021, Shan-Loong Investment, received the cash dividend which were distributed by the Company, amounting to \$3,383 and \$2,978, respectively, which were recorded as capital surplus - treasury share transactions.

(o) Earnings per share

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

	<u>2022</u>	<u>2021</u>
Basic earnings per share:		
Profit attributable to ordinary shareholders of the Company	\$ <u>288,996</u>	<u>415,507</u>
Weighted average number of ordinary shares (thousands)	<u>135,928</u>	<u>135,928</u>
Basic earnings per share (dollars)	\$ <u>2.13</u>	<u>3.06</u>
Diluted earnings per share:		
Profit attributable to ordinary shareholders of the Company (after adjustment the influence of potential ordinary shares)	\$ <u>288,996</u>	<u>415,507</u>
Weighted average number of ordinary shares (thousands)	135,928	135,928
Dilutive effect of potential ordinary shares (thousands):		
Employee share bonus	<u>797</u>	<u>707</u>
Weighted average number of ordinary shares (after adjustment the influence of potential ordinary shares)	<u>136,725</u>	<u>136,635</u>
Diluted earnings per share (dollars)	\$ <u>2.11</u>	<u>3.04</u>

(p) Revenue from contracts with customers

(i) Disaggregation of revenue

		<u>2022</u>			
		<u>Transportation segment</u>	<u>Gasoline station segment</u>	<u>Other segment</u>	<u>Total</u>
Primary geographical markets:					
Taiwan	\$	<u>2,909,409</u>	<u>13,750,564</u>	<u>397,180</u>	<u>17,057,153</u>
		<u>2021</u>			
		<u>Transportation segment</u>	<u>Gasoline station segment</u>	<u>Other segment</u>	<u>Total</u>
Primary geographical markets:					
Taiwan	\$	<u>3,649,042</u>	<u>13,155,382</u>	<u>433,331</u>	<u>17,237,755</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(ii) Contract balances

	December 31, 2022	December 31, 2021	January 1, 2021
Notes and accounts receivable	\$ 610,206	775,161	703,246
Less: allowance for impairment	(2,493)	(2,493)	(2,493)
	<u>\$ 607,713</u>	<u>772,668</u>	<u>700,753</u>
Contract liabilities – Unearned revenue	<u>\$ 23,940</u>	<u>21,594</u>	<u>13,286</u>

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

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.

(q) Employee compensation and directors' 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.

The Company's remuneration to employees were both \$22,000, and the remuneration to directors were both \$0 for the years ended December 31, 2022 and 2021. 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 2022 and 2021.

The amounts, as stated in the financial statements, are identical to those of the actual distributions in 2022 and 2021. Related information would be available at the Market Observation Post System Website.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(r) 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, 2022 and 2021, the accounts receivable amounted to \$213,151 and \$250,633, respectively, comes from one of the Company'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(c). Other financial assets measured at amortized cost include other receivables, please refer to note (6)(d).

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)(f).

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

	<u>2022</u>	<u>2021</u>
Balance on January 1 (same as balance on December 31)	\$ <u>13,100</u>	<u>13,100</u>

(ii) Liquidity risk

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

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1~2 years</u>	<u>Over 2 years</u>
December 31, 2022					
Non-derivative financial liabilities					
Notes and accounts payable	\$ 1,400,014	(1,400,014)	(1,400,014)	-	-
Other payables	357,670	(357,670)	(357,670)	-	-
Lease liabilities (including current and non-current)	988,616	(1,030,769)	(210,761)	(183,554)	(636,454)
Long-term borrowings (including current portion)	1,479,000	(1,527,272)	(125,988)	(1,191,447)	(209,837)
Guarantee deposits received	11,882	(11,882)	-	-	(11,882)
	<u>\$ 4,237,182</u>	<u>(4,327,607)</u>	<u>(2,094,433)</u>	<u>(1,375,001)</u>	<u>(858,173)</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>Within a year</u>	<u>1~2 years</u>	<u>Over 2 years</u>
December 31, 2021					
Non-derivative financial liabilities					
Notes and accounts payable	\$ 1,449,850	(1,449,850)	(1,449,850)	-	-
Other payables	420,053	(420,053)	(420,053)	-	-
Lease liabilities (including current and non-current)	1,091,797	(1,143,075)	(220,008)	(189,110)	(733,957)
Long-term borrowings (including current portion)	1,274,700	(1,290,233)	(1,057,512)	(157,084)	(75,637)
Guarantee deposits received	17,112	(17,112)	-	-	(17,112)
	<u>\$ 4,253,512</u>	<u>(4,320,323)</u>	<u>(3,147,423)</u>	<u>(346,194)</u>	<u>(826,706)</u>

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

(iii) Currency risk

As of December 31, 2022 and 2021, the Company's financial assets and liabilities were not exposed to significant foreign currency risks.

(iv) Interest rate analysis

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Variable rate instruments (Carrying amount):		
Financial assets	\$ 379,531	503,014
Financial liabilities	761,700	599,000

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 Company's management's assessment of the reasonably possible interest rate change.

If the interest rate had increased or decreased by 0.25%, the Company's net profit before tax would have decreased or increased by \$955 and \$240, respectively, for the years ended December 31, 2022 and 2021, which would be mainly resulted from the bank deposits and bank loans.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(v) Other market price risk

For the years ended December 31, 2022 and 2021, 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:

Prices of securities at the reporting date	2022		2021	
	Other comprehensive income before tax	Profit before tax	Other comprehensive income before tax	Profit before tax
Increasing 5%	\$ <u>32,592</u>	<u>-</u>	<u>40,336</u>	<u>-</u>
Decreasing 5%	\$ <u>(32,592)</u>	<u>-</u>	<u>(40,336)</u>	<u>-</u>

(vi) Fair value of financial instruments

1) Procedure of valuation and Fair value hierarchy

The Company's accounting policies and disclosure include fair value method on financial assets and financial liabilities. The Company'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 Company 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 Company'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:

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	December 31, 2022				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stock listed on domestic markets	\$ 529,937	529,937	-	-	529,937
Unquoted equity instruments	<u>121,904</u>	-	-	121,904	121,904
Subtotal	<u>651,841</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	463,988	-	-	-	-
Notes and accounts receivable, net	394,533	-	-	-	-
Notes and accounts receivable- related parties, net	213,180	-	-	-	-
Other current financial assets	36,525	-	-	-	-
Refundable deposits (recorded as other non-current assets)	<u>175,840</u>	-	-	-	-
Subtotal	<u>1,284,066</u>				
	<u>\$ 1,935,907</u>				
Financial liabilities measured at amortized costs					
Notes and accounts payable	\$ 1,400,014	-	-	-	-
Other payables	357,670	-	-	-	-
Lease liabilities (including current and non-current)	988,616	-	-	-	-
Long-term borrowings (including current portion)	1,479,000	-	-	-	-
Guarantee deposits	<u>11,882</u>	-	-	-	-
	<u>\$ 4,237,182</u>				

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	December 31, 2021				
	Carrying amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Stock listed on domestic markets	\$ 683,977	683,977	-	-	683,977
Unquoted equity instruments	<u>122,741</u>	-	-	122,741	122,741
Subtotal	<u>806,718</u>				
Financial assets measured at amortized cost					
Cash and cash equivalents	513,998	-	-	-	-
Notes and accounts receivable, net	520,683	-	-	-	-
Notes and accounts receivable- related parties, net	251,985	-	-	-	-
Other current financial assets (included current refundable deposits)	28,350	-	-	-	-
Refundable deposits (recorded as other non-current assets)	<u>202,150</u>	-	-	-	-
Subtotal	<u>1,517,166</u>				
	<u>\$ 2,323,884</u>				
Financial liabilities measured at amortized costs					
Notes and accounts payable	\$ 1,449,850	-	-	-	-
Other payables	420,053	-	-	-	-
Lease liabilities (including current and non-current)	1,091,797	-	-	-	-
Long-term borrowings (including current portion)	1,274,700	-	-	-	-
Guarantee deposits	<u>17,112</u>	-	-	-	-
	<u>\$ 4,253,512</u>				

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

The Company'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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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 Company which do not have quoted market prices are based on the comparable market approach, with the use of key assumptions of 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.

5) There were no transfers from one level to another of the Company for the years ended December 31, 2022 and 2021.

6) Reconciliation of Level 3 fair values

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
Balance on January 1, 2022	\$ 122,741
Total gains and losses recognized:	
In other comprehensive income	(837)
Balance on December 31, 2022	\$ <u><u>121,904</u></u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

	Financial assets at fair value through other comprehensive income
	Unquoted equity instruments
Balance on January 1, 2021	\$ 157,748
Total gains and losses recognized:	
In other comprehensive income	34,095
Purchased	7,672
Derecognized	(76,774)
Balance on December 31, 2021	<u>\$ 122,741</u>

For the years ended December 31, 2022 and 2021, 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:

	<u>2022</u>	<u>2021</u>
Total gains and losses recognized:		
In other comprehensive income, and presented in “unrealized gains and losses from financial assets at fair value through other comprehensive income”	\$ (837)	1,036

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

The Company’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 Company 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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

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 (both 30%~35% on December 31, 2022 and 2021)	· The higher the Lack-of-Marketability discount rate is, the lower the fair value will be.
"	"	· Price-Book ratio (0.77~2.6 and 0.91~1.6, respectively, on December 31, 2022 and 2021)	· The higher the multiple is, the higher the fair value will be.
"	"	· EV/SALES (0.9~2.18 on December 31, 2022)	· "
"	"	· EV/EBITDA (4.3 on December 31, 2022)	· The higher the EBITDA multiple is, the higher the fair value will be.
"	Net asset value method	· Net Asset Value	· Not applicable

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

The Company'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:

		Move up or	Other comprehensive income	
	Input	down	Favorable change	Unfavorable change
December 31, 2022				
Financial assets at fair value through other comprehensive income	Lack-of-Marketability discount rate	5%	\$ 2,425	(2,420)
"	Price-to-Book Ratio	5%	\$ 2,490	(2,484)
	EV/SALES	5%	644	(643)
	EV/EBITDA	5%	1,306	(1,301)
December 31, 2021				
Financial assets at fair value through other comprehensive income	Lack-of-Marketability discount rate	5%	\$ 2,061	(2,097)
"	Price-to-Book Ratio	5%	\$ 1,964	(1,999)

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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(s) Financial risk management

(i) Overview

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

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

The following likewise discusses the Company'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 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 Company 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 Company has no transactions in financial instruments for the purpose of speculation.

(iii) Credit risk

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

1) Accounts receivable and other receivables

The Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company'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 Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

In order to mitigate account receivable credit risk, the Company constantly assesses the financial status of the customers, and requests the customers to provide guarantee or security if necessary. The Company 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.
Notes to the Financial Statements

2) Investments

The exposure to credit risk for the bank deposits and other financial instruments is measured and monitored by the Company's finance department. The Company only deals with banks, corporate organization and financial institutions with good credit rating. The Company 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 Company's policy, it is only permissible to provide financial guarantees to the entities listed in the policy. As of December 31, 2022 and 2021, the guarantees both provided to the subsidiaries amounted to \$150,000.

(iv) Liquidity risk

The Company manages sufficient cash and cash equivalents so as to cope with its operations and mitigate the effects of fluctuations in cash flows. The Company's management supervises the banking facilities to ensures 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 Company. Please refer to note 6(i) and 6(j) for the unused credit lines of bank loans as of December 31, 2022 and 2021.

(v) Market risk

Market risk is the risk that changes in market prices, such as interest rates, and equity prices, will affect the Company'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) Interest rate risk

The Company borrows funds on floating interest rate, therefore, the Company has the risk of cash flow.

2) Other market price risk

The Company 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 Company 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.

(t) 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 and retained earnings. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shares.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

The Company monitors capital structure through the regular review of the asset-debt ratio. As of December 31, 2022 and 2021, the debt ratios of the Company were as follows:

	December 31, 2022	December 31, 2021
Total liabilities	\$ 4,490,131	4,537,919
Total assets	9,311,228	9,794,029
Debt-to-asset ratio	48 %	46 %

As of December 31, 2022, there were no changes in the Company's approach of capital management.

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

The Company's investing and financing activities which did not affect the current cash flow for the years ended December 31, 2022 and 2021, were as follows:

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

	January 1, 2022	Cash flows	Non-cash changes Changes in lease payments	December 31, 2022
Long-term borrowings	\$ 1,274,700	204,300	-	1,479,000
Guarantee deposits	17,112	(5,230)	-	11,882
Lease liabilities	1,091,797	(224,805)	121,624	988,616
Total liabilities from financing activities	<u>\$ 2,383,609</u>	<u>(25,735)</u>	<u>121,624</u>	<u>2,479,498</u>

	January 1, 2021	Cash flows	Non-cash changes Changes in lease payments	December 31, 2021
Long-term borrowings	\$ 1,174,700	100,000	-	1,274,700
Guarantee deposits	15,676	1,436	-	17,112
Lease liabilities	1,326,511	(230,358)	(4,356)	1,091,797
Total liabilities from financing activities	<u>\$ 2,516,887</u>	<u>(128,922)</u>	<u>(4,356)</u>	<u>2,383,609</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(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 parent-company-only financial statements:

<u>Name of related party</u>	<u>Relationship with the Company</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 relationship between the chairman of the Company and of this company is within second degree of kinship
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
Zhonglong International Co., Ltd.	It has the same chairman as that of the Board of the Company since December 2022
Sun Favorite Co., Ltd.	Half of the directors of this company are the directors 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
Shan Loong Investment Co., Ltd. (Shan Loong Investment)	A subsidiary of the Company.
Shan Loong International & Customs Broker Co., Ltd. (Shan Loong Customs Broker)	A subsidiary of the Company.
Shan Loong Motors Co., Ltd. (Shan Loong Motors)	A subsidiary of the Company.
Shang-Loong International Holdings Co., Ltd. (Shang-Loong International)	A subsidiary of the Company.
Long Yun Investment Holding Co., Ltd. (Long Yun)	A subsidiary of the Company.
Loong De Investment Co., Ltd. (Loong De)	A subsidiary of the Company.
Shanghai Shan Tong Logistic Co., Ltd. (Shanghai Shan Tong)	A subsidiary of the Company.
Shan-Loong Logistics Co., Ltd.	A subsidiary of the Company.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(b) Significant transactions with related parties

(i) Sales

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

	Sales	
	2022	2021
Other related parties	\$ 1,323,367	1,483,344
Subsidiaries	13,564	15,697
Associates	220	78
	<u>\$ 1,337,151</u>	<u>1,499,119</u>

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

(ii) Receivables from related parties

The receivables from related parties were as follows:

Account	Related-party categories	December 31, 2022	December 31, 2021
Accounts receivables	Other related parties—Cheng Loong	\$ 212,529	250,020
"	Other related parties	634	656
"	Subsidiaries	-	1,294
"	Associates	17	15
Other receivables (recorded as other current financial assets)	Other related parties	302	296
"	Subsidiaries	1,443	195
		<u>\$ 214,925</u>	<u>252,476</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(iii) The costs and expenses paid to related parties

The costs and expenses (which include variable lease expenses) paid to related parties were as follows:

Account	Relationship	2022	2021
Operating costs and operating expenses	Other related parties	\$ 47,927	40,553
"	Subsidiaries—Shan Loong Motors	217,787	127,864
"	Subsidiaries	1,601	5,255
"	Associates	<u>7,228</u>	<u>2,245</u>
		<u>\$ 274,543</u>	<u>175,917</u>

As of December 31, 2022, the Company paid freight to other related parties in advance in the amount of \$10,000, which was recorded as other current assets.

(iv) Property transactions

1) Purchases of property, plant and equipment

The Company 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:

	Total price	
	2022	2021
Other related parties	\$ 148	14,868
Subsidiaries—Shan Loong Motors	183,468	34,605
Associates	<u>26,669</u>	<u>18,969</u>
	<u>\$ 210,285</u>	<u>68,442</u>

- 2) The associates provided system integration development services to the Company, and the amount of system development for the year ended December 31, 2022, was \$38,843. As of December 31, 2022, the development project had not been completed, and the accounts were recorded as prepayments for business facilities (other non-current assets).

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

3) Disposal of transportation equipment

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

	Total price		Other receivables from related parties	
	2022	2021	December 31, 2022	December 31, 2021
Other related parties	\$ -	1,262	-	-
Subsidiaries—Shan Loong Motors	83,761	-	15,590	-
	<u>\$ 83,761</u>	<u>1,262</u>	<u>15,590</u>	<u>-</u>

For the years ended December 31, 2022 and 2021, the gains (losses) on disposal of transportation equipment amounted to gains \$6,752 and losses \$483, respectively.

(v) Payable to related parties

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

Account	Relationship	December 31, 2022	December 31, 2021
Accounts payable	Other related parties	\$ 15,922	1,008
"	Subsidiaries	365	649
Other payables	Other related parties	358	2,618
"	Subsidiaries	25,473	17,981
"	Associates	1,649	3,421
		<u>\$ 43,767</u>	<u>25,677</u>

(vi) Lease

1) Lessee

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

	Lease liabilities		Interest expense	
	December 31, 2022	December 31, 2021	2022	2021
Other related parties — Cheng Loong	<u>\$ 36,055</u>	<u>50,424</u>	<u>586</u>	<u>2,586</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

2) Lessor

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

	Rental income (recorded as other income)		Other receivables from related parties	
	2022	2021	December 31, 2022	December 31, 2021
Other related parties	\$ 923	3,000	-	-
Subsidiaries	1,800	1,103	-	-
	<u>\$ 2,723</u>	<u>4,103</u>	<u>-</u>	<u>-</u>

(vii) Service revenue

For the year ended December 31, 2022, the Company signed an agreement with its associates to provide management and technical services. The income recognized as a result of the above services was \$9,000, which was recorded as other income, and the above amount had been received as of December 31, 2022.

(viii) Guarantees

As of December 31, 2022 and 2021, the guarantees provided to subsidiaries were both \$150,000.

(c) Key management personnel compensation

Key management personnel compensation comprised:

	2022	2021
Short-term employee benefits	\$ 37,217	42,541
Post-employment benefits	312	442
	<u>\$ 37,529</u>	<u>42,983</u>

(8) Pledged assets:

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2022	December 31, 2021
Property, plant and equipment—land	Long-term borrowings	\$ 90,562	90,562
Property, plant and equipment—buildings	"	12,222	13,941
Refundable deposits (deposit certificate, recorded as other non-current assets)	Deposits for performance guarantee	38,315	71,414
		<u>\$ 141,099</u>	<u>175,917</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(9) Significant commitments and contingencies:

- (a) As of December 31, 2022 and 2021, the Company's unrecognized contractual commitments for gas station engineering, office renovation and computer information system amounted to \$28,597 and \$2,671, respectively.
- (b) As of December 31, 2022 and 2021, the Company had outstanding stand-by letters of credit provided by the banks totaling \$2,075,000 and \$2,005,000, respectively, for purposes of gasoline purchase and transportation, etc.

(10) Losses due to major disasters: None

(11) Subsequent events: None

(12) Others:

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

By item	By function	2022			2021		
		Operating cost	Operating Expenses	Total	Operating cost	Operating Expenses	Total
Employee benefits							
Salary		342,762	623,881	966,643	402,086	718,151	1,120,237
Labor and health insurance		31,692	65,794	97,486	36,544	71,959	108,503
Pension		18,280	30,858	49,138	20,918	32,765	53,683
Remuneration of directors		-	8,640	8,640	-	17,280	17,280
Others		406	22,801	23,207	209	22,320	22,529
Depreciation		194,790	275,987	470,777	217,114	266,409	483,523

For the years ended December 31, 2022 and 2021, the information about number of employees and employee benefit expenses of the Company is as follows:

	2022	2021
Number of employees	<u>1,614</u>	<u>1,740</u>
Number of directors (non-employees)	<u>6</u>	<u>7</u>
Average employee benefit expenses	<u>\$ 707</u>	<u>753</u>
Average salary expenses	<u>\$ 601</u>	<u>646</u>
Percentage of change in average salary expense of employees	<u>(6.97)%</u>	
Remuneration for supervisors	<u>\$ -</u>	<u>-</u>

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

The Company's salary and remuneration policy (including directors, managers and employees) is as follows:

- (i) The remuneration to managers and employees is divided into fixed and variable salaries. Fixed salary is paid monthly regardless of profit or loss. On the other hand, variable salary is employee remuneration, development bonus, and year-end performance bonus, which are determined based on the contribution of the Company, the overall environment, and market standards that reflect the performance of the job.
- (ii) The directors who conduct the Company's business shall receive the remuneration regardless of the operating profit or loss. The Board approves the directors' remuneration, which is determined based on the extent and value of the service provided for the management of the Company and the peer industry level.

(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 Company for the year ended December 31, 2022.

- (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	2,410,548	150,000	150,000	-	-	3.11 %	4,821,097	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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

- (iii) Securities held as of December 31, 2022 (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				Note
				Shares/Units (thousands)	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Stock:							
	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	529,937	1.75%	529,937	
	Gemtech Optoelectronics Corp. stock	The same chairman of the Board with Cheng Loong	"	3,644	72,589	19.29%	72,589	
	Cheng Loong Investment Co., Ltd. stock	-	"	600	26,187	4.62%	26,187	
	Shin Loong Lifecare Corp. stock	-	"	350	1,799	5.83%	1,799	
	Yueh Loong Co., Ltd. Stock	-	"	323	10,380	10.78%	10,380	
Shan Loong Investment Co., Ltd.	Shine Far Co., Ltd. Stock	-	"	270	10,949	0.87%	10,949	
	Stocks:							
	Cheng Loong Corporation stock	-	Non-current financial assets at fair value through other comprehensive income	31,819	870,242	2.87%	870,242	
	Shan Loong Transportation Co., Ltd. Stock	Parent company	"	1,353	43,175	0.99%	43,175	
	Cheng Loong investment Co., Ltd. Stock	-	"	1,200	52,317	9.23%	52,317	
Shan Loong Customs Broker	Yueh Loong Co., Ltd. stock	-	"	29	918	0.95%	918	
	Stocks:							
	Cheng Loong Corporation stock	-	Non-current financial assets at fair value through other comprehensive income	7,155	195,690	0.65%	195,690	
Shan-Loong International	Chung Loong Paper Holdings Limited	-	"	1,339	203,371	5.00%	203,371	

- (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.

Notes to the 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	(1,316,025)	(7.72) %	20-80 days	There is no difference to those of the third-party	No difference	Accounts receivable 212,529	34.97%	
Shan Loong Motors	The Company	Parent company	Revenue from truck sales, maintenance and repair	(401,207)	(46.67) %	25 days	"	"	Accounts receivable 21,965	18.98%	
Shan Loong international & Customs Broker Co., Ltd.	Cheng Loong	This Company is the corporate director of the Company	Customs agent revenue	(135,450)	(18.53) %	60 days	"	"	Accounts receivable 14,789	29.89%	
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	(167,791)	(22.96) %	25 days	"	"	Accounts receivable 3,724	7.53%	
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	(129,528)	(45.04) %	60 days	"	"	Accounts receivable 32,556	69.53%	

(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	212,529	5.69	-		Accounts receivable 88,362	-

Note 1: Information as of February 24, 2023.

(ix) Trading in derivative instruments: None.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(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)	Note
				December 31, 2022 (Note 1)	December 31, 2021 (Note 1)	Shares	Percentage of ownership	Carrying value (Note 1)			
The Company	Shan-Loong Investment	New Taipei City	Investing activities	400,000	400,000	40,000	100.00%	967,206	61,167	57,784	Subsidiary company
The Company	Shan Loong Customs Broker	Keelung	Import and export agent services	131,000	131,000	13,100	100.00%	327,855	26,201	26,201	"
The Company	Shan-Loong International	British Virgin Islands	Investing activities	308,543 (USD10,047 thousand)	308,543 (USD10,047 thousand)	10,047	100.00%	768,408	91,325	91,325	"
The Company	Shang Loong Motors	New Taipei City	Truck repair, maintenance and sales	200,000	200,000	20,000	100.00%	236,802	28,223	20,325	"
The Company	Ko Loong Industry	New Taipei City	Synthetic resin and plastic manufacturing	28,655	28,655	2,014	19.75%	65,129	9,905	1,955	-
								2,365,400		197,590	
Shan-Loong International	Long Yun	Samoa	Investing activities	25,213 (USD821 thousand)	25,213 (USD821 thousand)	821	100.00%	234,394	(188)	Investment gains and losses recognized by its parent company	Subsidiary company
Shan-Loong International	Loong De	Samoa	Investing activities	31,324 (USD1,020 thousand)	31,324 (USD1,020 thousand)	1,020	100.00%	61,823	9,544	"	"
Loong De	Shan-Loong Logistics Co., Ltd.	Vietnam	Warehousing, freight transportation and related agent	31,324 (USD1,020 thousand)	31,324 (USD1,020 thousand)	-	51.00%	39,848	18,706	"	"

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.

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.

Notes to the Financial Statements

(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	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)	177,565 (USD 5,782 thousand)	-	-	177,565 (USD 5,782 thousand)	-%	-	-	-	-
Shanghai Shan Tong	Warehousing, freight transportation and related agent	22,040 (RMB5,000 thousand) (Note 7)	(Note 1)	43,450 (USD812 thousand and RMB4,200 thousand)	-	-	43,450 (USD812 thousand and RMB4,200 thousand)	60.00%	(1,258)	(755)	233,837	-
Loong Fu Paper (Kunsan) Co., Ltd.	Corrugated paper boxes, cardboard and paper products	307,100 (USD10,000 thousand)	(Note 1)	34,242 (USD1,115 thousand)	-	-	34,242 (USD1,115 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Cheng Loong (Gwangtung) Paper Co., Ltd.	Cardboard, paper boxes, paper products and packing decoration printing	952,010 (USD31,000 thousand)	(Note 1)	26,073 (USD849 thousand)	-	-	26,073 (USD849 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Zhangzhou Cheng Loong Paper Co., Ltd.	Cardboard, paper boxes and paper products	392,474 (USD12,780 thousand)	(Note 1)	19,593 (USD638 thousand)	-	-	19,593 (USD638 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Qingdao Chung Loong Paper Co., Ltd.	Cardboard, paper boxes and paper products	(Note 8)	(Note 1)	4,607 (USD150 thousand)	-	-	4,607 (USD150 thousand)	-%	-	-	-	-
Tianjin Chung Loong Paper Co., Ltd.	Corrugated cardboard, paper boxes, paper pallets and paper products	(Note 8)	(Note 1)	15,386 (USD501 thousand)	-	-	15,386 (USD501 thousand)	-%	-	-	-	-
Suzhou Cheng Loong Paper Co., Ltd.	Cardboard	568,135 (USD18,500 thousand)	(Note 1)	5,374 (USD175 thousand)	-	-	5,374 (USD175 thousand)	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	414,585 (USD13,500 thousand)	(Note 1)	5,190 (USD169 thousand)	-	-	5,190 (USD169 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Chengdu Cheng Loong Packing Products Co., Ltd.	Corrugated cardboard, paper boxes, paper pallets and paper products	124,253 (USD4,046 thousand)	(Note 1)	3,839 (USD125 thousand)	-	-	3,839 (USD125 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-
Henan Cheng Loong Packing Products Co., Ltd.	Corrugated cardboard and packaging products	306,793 (USD9,990 thousand)	(Note 1)	12,867 (USD419 thousand)	-	-	12,867 (USD419 thousand)	5.00%	(Note 4)	(Note 4)	(Note 4)	-

(Continued)

SHAN-LOONG TRANSPORTATION CO., LTD.
Notes to the Financial Statements

(ii) Limitation on investment in Mainland China:

Accumulated Investment in Mainland China as of December 31, 2022	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
348,186 (USD10,735 thousand and RMB4,200 thousand)	348,186 (USD10,735 thousand and RMB4,200 thousand)	2,892,658

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 Company recognized its investment profit and loss in Shanghai Shan Tong based on the investees' self-reported financial statements. On the other hand, the Company did not used the equity method in investing in the remaining invested companies; hence, no profit or loss was recognized in the current 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 %
YE, CYONG - MIAO		9,578,000	6.97 %
Shine Far Co., Ltd.		8,367,944	6.09 %

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2022.

Shan-Loong Transportation Co., Ltd.

Statement of cash and cash equivalents

December 31, 2022

(Expressed in thousands of New Taiwan Dollars; in thousands of foreign currency)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Cash on hand	NTD	\$ 148
Petty cash and revolving funds	NTD	5,979
		<u>6,127</u>
Checking accounts	NTD	78,330
Demand deposits	NTD	378,324
"	USD 6	197
"	CNY 229	1,010
		<u>457,861</u>
		<u>\$ 463,988</u>

Note: The exchange rate is 30.71 New Taiwan dollars for 1 US dollar; 4.408 New Taiwan dollars for 1 CNY dollar.

Shan-Loong Transportation Co., Ltd.
Statement of notes and accounts receivable
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Client Name</u>	<u>Description</u>	<u>Amount</u>
Notes receivable:		
Chien Shing Harbour Service Co., Ltd.	Revenue of non-related party	\$ 2,568
Depo Auto Parts Ind. Co., Ltd.	"	2,505
Wei Chih Steel Industrial Co., Ltd.	"	1,749
Hong Gi Engineering Co., Ltd.	"	1,480
Vedan Enterprise Co., Ltd.	"	1,103
Others (Note 3)	"	5,179
Accounts receivable:		
Chang Chun Petrochemical Co., Ltd.	Revenue of non-related party	27,803
KNH Enterprise Co., Ltd.	"	17,294
Others (Note 3)	"	337,345
Less: allowance for uncollectible accounts		(2,493)
		<u><u>\$ 394,533</u></u>

Note 1: All of the notes and accounts receivable come from operating activities.

Note 2: Notes and accounts receivable due from related parties are not included in the above information, the details please refer to note (7).

Note 3: The amount of individual client included in others does not exceed 5% of the account balance.

Statement of inventories

<u>Item</u>	<u>Cost</u>	<u>Net Realizable Value</u>
Premium Diesel	\$ 40,473	43,600
Unleaded Gasoline #92	57,715	64,058
Unleaded Gasoline #95	84,842	93,400
Unleaded Gasoline #98	30,041	33,024
By-product and other	5,229	5,511
	<u><u>\$ 218,300</u></u>	<u><u>239,593</u></u>

Shan-Loong Transportation Co., Ltd.**Statement of changes in property, plant and equipment****For the year ended December 31, 2022****(Expressed in thousands of New Taiwan Dollars)**

Please refer to note (6)(g).

Statement of changes in right-of-use assets

Please refer to note (6)(h).

Shan-Loong Transportation Co., Ltd.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2022

(Expressed in thousands of New Taiwan Dollars and thousands of shares)

Investee Companies	Beginning balance		Increase (decrease)		Share of profits (losses) recognized	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	Other adjustment		Ending balance			Net value as of December 31, 2022	Collaterals or pledged assets
	Number of shares	Amounts	Number of shares	Amounts			Number of shares	Amounts	Number of shares	Percentage of ownership	Amounts		
Shan Loong Investment	40,000	\$ 1,200,089	-	-	57,784	(242,699)	-	(47,968) (Note 1)	40,000	100.00 %	967,206	1,010,381	None
Shan Loong Customs Broker	131,000	410,023	-	-	26,201	(53,469)	-	(54,900) (Note 2)	131,000	100.00 %	327,855	327,855	"
Shan Loong International	10,047	611,081	-	-	91,325	58,742	-	7,260 (Note 3)	10,047	100.00 %	768,408	768,408	"
Shan Loong Motors	20,000	216,477	-	-	20,325	-	-	-	20,000	100.00 %	236,802	248,550	"
Ko Loong	2,014	71,325	-	-	1,955	(7,144)	-	(1,007) (Note 4)	2,014	19.75 %	65,129	65,129	"
		<u>\$ 2,508,995</u>		<u>-</u>	<u>197,590</u>	<u>(244,570)</u>		<u>(96,615)</u>			<u>2,365,400</u>		

Note 1: The changes included the cash dividends amounting to \$3,383 from the Company, and the cash dividends amounting to \$51,351 distributed from the investee companies.

Note 2: The changes included the cash dividends distributed from the investee companies amounting to \$54,900.

Note 3: The changes included the exchange differences on translation of foreign financial statements amounting to \$7,260.

Note 4: The changes included the cash dividends distributed from the investee companies amounting to \$1,007.

Shan-Loong Transportation Co., Ltd.

Statement of non-current financial assets measured at fair value through other comprehensive income

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

Investee Company	Beginning balance		Increase		Decrease		Financial assets	Ending balance		Collaterals or pledged assets
	Number of shares	Fair value	Number of shares	Amount	Number of shares	Amount	Valuation adjustment	Number of shares	Fair value	
Cheng Loong	19,376	\$ 683,977	-	-	-	-	(154,040)	19,376	529,937	None
Gemtech Optoelectronics Corp.	3,644	72,734	-	-	-	-	(145)	3,644	72,589	"
Cheng Loong Investment Co., Ltd.	600	29,214	-	-	-	-	(3,027)	600	26,187	"
Shin Loong Lifecare Corp.	350	2,317	-	-	-	-	(518)	350	1,799	"
Yueh Loong Co., Ltd.	323	5,379	-	-	-	-	5,001	323	10,380	"
Shine Far Co., Ltd.	270	13,097	-	-	-	-	(2,148)	270	10,949	"
		<u>\$ 806,718</u>		<u>-</u>		<u>-</u>	<u>(154,877)</u>		<u>651,841</u>	

Shan-Loong Transportation Co., Ltd.
Statement of other non-current assets
December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Refundable deposits	Performance guarantee and rental deposits	\$ 175,840
Prepayment for equipments	Acquisition of equipment	<u>108,131</u>
		<u>\$ 283,971</u>

Statement of notes and accounts payable

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Notes payable:		
Others (note)	Operating cost of non-related parties	\$ 69
Accounts payable:		
Chinese Petroleum Corporation	Operating cost of non-related parties	904,935
Formosa Petrochemical Corporation	"	292,521
Others (note)	Operating cost of related parties and non-related parties	<u>202,489</u>
		<u>\$ 1,400,014</u>

Note: The amount of individual vendor included in others does not exceed 5% of the account balance.

Shan-Loong Transportation Co., Ltd.

Statement of other payables

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Payroll and bonuses payable	Payroll for December 2022, estimated year-end bonuses and compensation of vacation pay	\$ 192,290
Employee compensation	Employees compensations for 2022	22,000
Indemnity payables	Estimated litigation losses	9,300
Other (note)	Labor and health insurance, pensions, utilities, value-added business tax, and professional service fees, etc.	<u>134,080</u>
		<u>\$ 357,670</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

Shan-Loong Transportation Co., Ltd.

Statement of lease liabilities

December 31, 2022

(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Lease term</u>	<u>Discount rate</u>	<u>Ending balance</u>
Land	2-27 years	1.37%	\$ 182,800
Buildings	2-15 years	1.37%	800,650
Other equipment	5-15 years	1.37%	5,166
			<u>\$ 988,616</u>

Statement of long-term borrowings

<u>Creditor</u>	<u>Nature</u>	<u>Amount</u>	<u>Contract period</u>	<u>Interest rate</u>	<u>Collaterals or pledged assets</u>
E. SUN Bank	Working Capital	\$ 100,000	2022.4~2024.3	1.55 %	-
First Bank	"	299,000	2022.6~2024.6	1.68 %	Land and buildings
Taiwan Cooperative Bank	"	250,000	2022.2~2027.2	1.70 %	Land and buildings
KGI Bank	"	200,000	2022.10~2024.10	2.17 %	-
CTBC Bank	"	150,000	2022.3~2024.2	1.88 %	-
"	"	50,000	2022.3~2024.2	1.64 %	-
Hua Nan Commercial Bank	"	100,000	2022.6~2023.8	1.53 %	-
"	"	100,000	2022.6~2024.4	1.53 %	-
Shin Kong Bank	"	230,000	2022.4~2024.4	1.98 %	-
		1,479,000			
Less: current portion		(100,000)			
		<u>\$ 1,379,000</u>			

Shan-Loong Transportation Co., Ltd.
Statement of operating revenue
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Amount</u>
Revenue:	
Gasoline station revenue	\$ 13,750,670
Transportation revenue	2,910,328
Others (note)	<u>397,180</u>
	17,058,178
Less: sales allowance	<u>(1,025)</u>
Net operating revenue	<u><u>\$ 17,057,153</u></u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

Statement of operating costs

<u>Item</u>	<u>Amount</u>
Cost of gasoline station	\$ 12,887,850
Cost of transportation	2,507,917
Others (note)	<u>298,363</u>
	<u><u>\$ 15,694,130</u></u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

Shan-Loong Transportation Co., Ltd.
Statement of operating expenses
For the year ended December 31, 2022
(Expressed in thousands of New Taiwan Dollars)

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>
Payroll expenses	\$ 249,834	382,687
Insurance expenses	31,350	44,621
Depreciation	216,376	59,611
Service fee	-	46,849
Others (note)	<u>50,013</u>	<u>222,750</u>
	<u>\$ 547,573</u>	<u>756,518</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

Statement of non-operating income and expenses

<u>Item</u>	<u>Description</u>	<u>Amount</u>
Shares of profit (loss) of investments accounted for using equity method		\$ 197,590
Gains on disposals of property, plant and equipment		6,360
Dividend income		38,636
Interest income		2,111
Other income (note)	Rental income and others, etc.	67,109
Other gains and losses, net (note)	Foreign exchange gains or losses, and lease modification gains	(439)
Interest expense		(36,330)
Other expenses (note)	Handling change of performance guarantee for gasoline purchase from CPC and FPCC, expenditure for compensation, and others, etc.	<u>(11,497)</u>
		<u>\$ 263,540</u>

Note: The amount of each item included in others does not exceed 5% of the account balance.

- VI. The financial turnover difficulties in the Company and its Affiliates, the impact on the financial situation of the company: None.

Chapter 7. Evaluation of Financial Status and Operating Results Review and Risk Matters

I. Financial Status

Units: NT\$ Thousand; %

Item \ Year	2022	2021	Difference	
			Amount	%
Current Assets	2,735,694	2,867,370	(131,676)	(4.59)
Property, plant, and equipment	3,710,240	3,609,511	100,729	2.79
Intangible assets	0	0	0	0
Other non-current assets	3,341,741	3,876,316	(534,575)	(13.79)
Total asset value	9,787,675	10,353,197	(565,522)	(5.46)
Current liabilities	2,333,463	3,494,290	(1,160,827)	(33.22)
Non-current liabilities	2,438,939	1,402,124	1,036,815	73.95
Total liabilities	4,772,402	4,896,414	(124,012)	(2.53)
Capital stock	1,372,818	1,372,818	0	0
Capital surplus	586,742	583,359	3,383	0.58
Retained earnings	1,902,158	1,944,149	(41,991)	(2.16)
Other equity interest	991,242	1,387,647	(396,405)	(28.57)
Treasury stock	(31,863)	(31,863)	0	0
Equity attributable to shareholders of the parent company	4,821,097	5,256,110	(435,013)	(8.28)
Non-controlling Interests	194,176	200,673	(6,497)	(3.24)
Total equity	5,015,273	5,456,783	(441,510)	(8.09)
Explanation of major changes: (changes in previous and subsequent periods up to 20% and the amount of changes up to NT \$10 million)				
(I) Decrease in current liabilities: Due to increase or decrease in long-term liabilities due within one year of the current period.				
(II) Increase in non-current liabilities: due to increase in long-term loans.				
(III) Decrease in other equity: due to the increase in unrealized losses on financial assets measured at fair value through other comprehensive income.				

II. Financial Performance

Units: NT\$ Thousand; %

Item \ Year	2022	2021	Increase (Decrease) Amount	Percentage change (%)
Operating revenue	18,518,763	18,812,163	(293,400)	(1.56)
Operating costs	17,098,866	17,026,406	72,460	0.43
Gross profit	1,419,897	1,785,757	(365,860)	(20.49)
Operational expenses	1,309,920	1,410,146	(100,226)	(7.11)
Net operating profit	109,977	375,611	(265,634)	(70.72)
Non-operating revenue and expenses	236,346	138,456	97,890	70.70
Net income before tax	346,323	514,067	(167,744)	(32.63)
Income tax expenses	48,664	89,507	(40,843)	(45.63)
Net profit for the period	297,659	424,560	(126,901)	(29.89)
Other comprehensive income (loss)	(378,214)	55,521	(433,735)	(781.21)
Total comprehensive income for the period	(80,555)	480,081	(560,636)	(116.78)
(If the increase or decrease amounts to 20%, and the change amounts to NT \$10 million, please analyze and explain)				
(I) Decrease in gross operating profit, net operating profit, net profit before tax, income tax expense and net profit for the current period: mainly due to the decrease in operating income for the current period.				
(II) Increase in non-operating income and expenses: mainly due to the increase in dividend income in the current period.				
(III) Decrease in other comprehensive income and total comprehensive income in the current period: mainly due to the increase in unrealized losses of financial assets measured at fair value through other comprehensive income.				

III. Analysis of Cash Flow

(I) Analysis of the cash flow difference of the most two recent years

Item \ Year	2022	2021	Increasing (Decreasing) Percentage %
Cash Flow Ratio	26.45%	37.94%	(30.28)%
Cash flow adequacy ratio	106.08%	101.57%	4.45%
Cash re-investment ratio	4.18%	19.82%	(78.90)%

If the increase or decrease ratio changes by more than 20%, the analysis and explanation are as follows:

1. Decrease in cash flow ratio: mainly due to decrease in net cash flow from operating activities in the current period.
2. Reduction in cash reinvestment ratio: mainly due to the increase in working capital in the current period.

(II) Analysis of the Cash Flow Difference of the Next Year:

In Thousands of New Taiwan Dollars

Cash balance at the beginning of the period	Annual net cash flow from operating activities	Annual Cash outflows	Cash Remaining Surplus	Remedy for cash inadequacy	
				Investment plan	Financing plan
463,988	700,000	630,000	533,988	—	—

1. Cash Flow Analysis for the Year of the current year:

- (1) Operating activities: Based on the development direction of the company's main business, the sales and profits are stable, and the cash flow of operating activities is expected to increase in the next year.
- (2) Investment activities: it is expected to increase investment in fixed assets, distribute cash dividends and other activities.

2. Remedy action for estimated cash inadequacy: Not Applicable.

(IV) Major Capital Expenditures and Impact on Financial and Business in the most recent year: None.

(V) Investment policy in the past year, the main reasons for profit/loss, improvement plan, and investment plan for the upcoming fiscal year

There are no other reinvestment plans for the Company in the most recent year.

(VI) Risks

(I) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Measures

1. Interest rate change: the Company has sufficient working capital and maintains good relationship with banks. The company has sound finance and good debt credit. It is expected that future interest rate changes will not have a significant impact on the company's profits and losses.
2. Exchange rate changes: the Company mainly focuses on domestic transportation and oil sales, and exchange rate fluctuations have little impact on the company; However, the financial department of the general management office also keeps abreast of the market information on the trend of exchange rate, and may take specific countermeasures when necessary to avoid the risk caused by the change of exchange rate.
3. Inflation: the company is engaged in domestic transportation and oil sales, and has not been affected by costs and profits and losses due to inflation.

(II) The policies to engage in high-risk, highly-leverage investments, lending, endorsements and guarantees, and the transactions of financial derivative products in the most recent year, the main reasons

for gains and losses, and the future countermeasures

1. Neither the Company nor its subsidiaries are engaged in high-risk and high-profile investments but operation of its business.
2. For endorsements and guarantees and fund loans to others engaged by the company and its subsidiaries due to business needs, in addition to careful evaluation, and in accordance with the relevant laws and regulations of the FSC and the provisions of the "operating procedures for endorsements and guarantees" and "operating procedures for fund loans to others" formulated by the company, the company shall timely and correctly announce all information.

(III) Future R&D Projects and Estimated R&D Expenditure

1. Self-service gas station independent operation system and hardware development.
2. Self-service car washing machine software and hardware integration and operation planning.
3. Improve automation processes within the enterprise, including ERP process improvement, TMS introduction, HR management system optimization, and internal education and training system planning.
4. Enterprise internal software and hardware upgrades, including network management, information security control, hack prevention, monitor configuration, and old hardware.

The investment in research and development for the above plan is expected to be approximately NT \$70-\$100 million.

(IV) Effects of and Response to Changes in Policies and Regulations

Relating to Corporate Finance and Business Important policy and legal changes at home and abroad in the most recent year had no significant impact on the company's financial business. Look forward to the future, the Company will collect relevant information from time to time and discuss necessary countermeasures to meet the needs of the Company's operation.

(V) Effects of and Response to Changes in Technology and the Industry
Relating(including cyber security risk) to Corporate Finance and Business

The company's businesses are mainly transportation, gas stations and other service. The competitiveness of the industry mainly depends on the quality of transportation equipment, oil supply and operators' familiarity and service attitude. Therefore, there was no impact on the company due to major technical changes in the last year.

(VI) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company values resources, protects the environment, complies with laws and regulations, strives to establish a good corporate image, and effectively reduces and eliminates the impact of environmental issues on the Company.

(VII) Expected Benefits and Risks Relating to Merger and Acquisition Plans and Response Measures

The company has no plans for mergers and acquisitions in the most recent year and up to the date of publication of the annual report.

(VIII) Expected Benefits and Risks Relating to Plant Expansion Plans and Response Measures

None.

(IX) The risk and future mitigation efforts to risks associated with purchase concentration and sales concentration

1. In terms of Purchase

The company's main oil suppliers are CPC and Formosa Plastics, the two largest domestic oil manufacturers, and there should be no risk of centralized purchase.

2. In terms of sales

The company's sales target is the general consumers and many domestic companies and firms, so there is no risk of centralized sales.

(X) Impacts, risks, and response measures resulting from major equity transfer or replacement of directors, or substantial shareholders holding more than 10% of the Company's shares

(XI) Impact, risk, and response measures related to any change in the administrative authority towards the Company's operations: None.

(XII) Litigation or Non-litigation Events: None.

(XIII) Other significant matters and response measures: None.

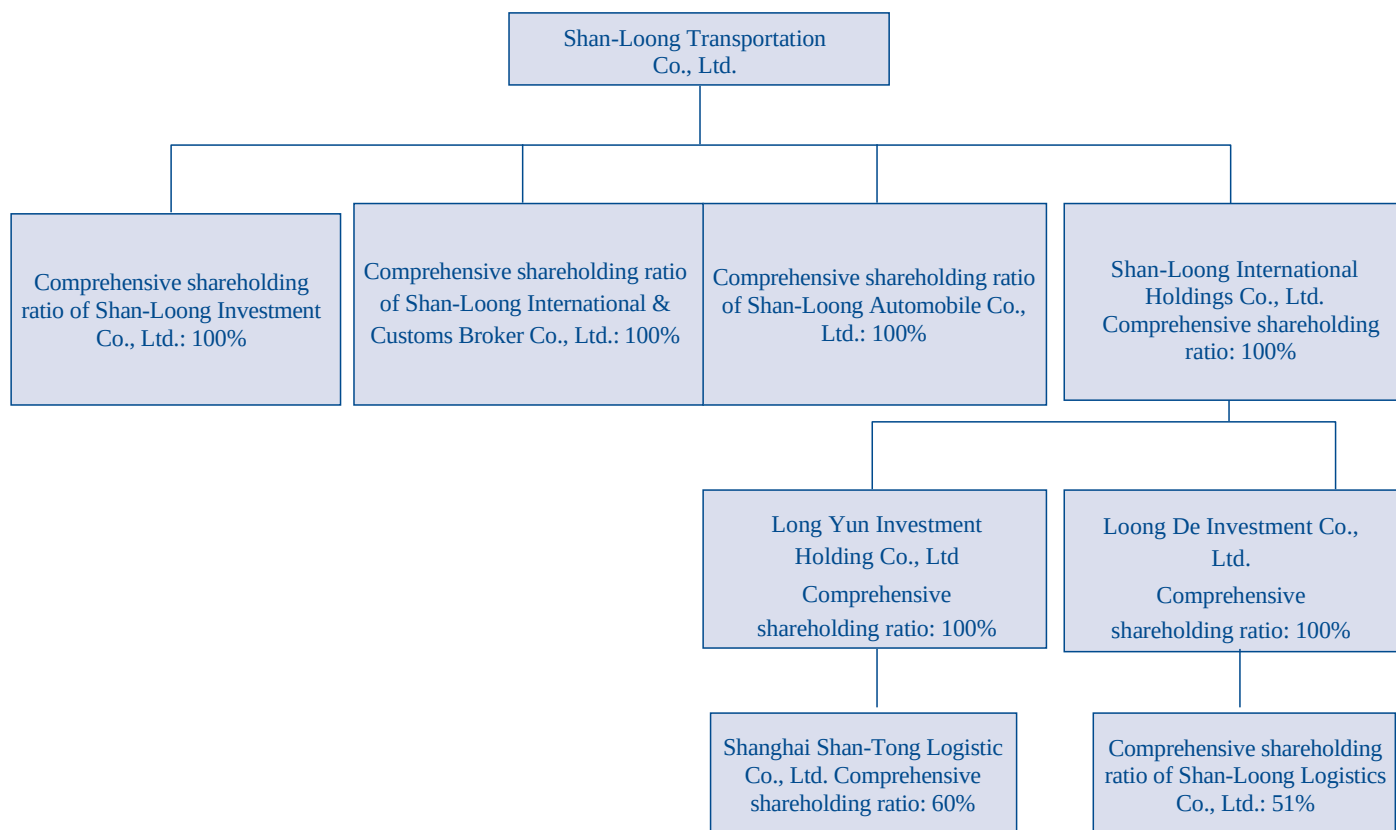
(VII) Other important items: None.

Chapter 8. Special Disclosure

I. Summary of Affiliated Companies

(I) Consolidated Business Report - Overview of Affiliates

1. Organizational Structure of Affiliated Companies



2. Basic information of affiliates

Enterprise Name	Date of incorporation	Address	Paid-in capital (NT \$1,000)	Main Business or Products
Shan-Loong Investment Co., Ltd.	1998.12.07	No. 1-2, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City 1st Floor	NT \$400,000	General investment business
Shan-Loong International & Customs Broker Co., Ltd.	1997.11.21	3F., No. 57, Yi 1st Rd., Zhongzheng Dist., Keelung City	NT \$131,000	1. Customs Declaration industry. 2. Sea freight forwarding industry.
Shan-Loong Automotive Co., Ltd.	2020.09.02	No. 1-2, Sec. 1, Minsheng Rd., Banqiao Dist., New Taipei City 1st Floor	NT \$200,000	Automotive repair, wholesale and retail trade
Shan-Loong International Holdings Co., Ltd	2002.06.05	P.O.BC3321 Road Town, Tortola, British Virgin Islands	US\$10,047	General investment business
Long Yun Investment Holding Co., Ltd	2002.09.03	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	US \$821	General investment business
Loong De Investment Co., Ltd	2007.04.13	Level 2, Lotemau Centre, Vaea Street, Apia, Samoa	US \$1,020	General investment business
Shanghai Shantong Storage and Transportation Co., Ltd.	2004.03.19	Floor 2, Building 2, No. 2250, Pudong South Road, Shanghai Room B210	RMB 5,000	Transportation
Shan-Loong Logistics Co., Ltd.	2018.06.05	Ho Chi Minh City Shu De County Ping Shoufang Hong De Street 9 No.	US \$2,000	Transportation

3. Information of the directors, supervisors and president of each affiliated enterprise

In shares

Enterprise Name	Position	Name and Representative	Current shareholding	
			Number of shares at the end of the year (thousand shares)	Shareholding ratio
Shan-Loong Investment Co., Ltd.		Shan-Loong Transportation Co., Ltd.	40,000	100%
	Chairman	Representative: Jen-Hao Cheng		
	Director	Representative: Chen-Te Wang		
	Director	Representative: Wei-Liang Chang		
	Director	Representative: Yu-Cheng Yao		
	Director	Representative: Yi-Li Chen		
	Supervisor	Representative: Wei-Teng Hsiao		
Shan-Loong International & Customs Broker Co., Ltd.		Shan-Loong Transportation Co., Ltd.	13,100	100%
	Chairman	Representative: Jen-Hao Cheng		
	Director	Representative: Min-Peng Hsu		
	Director	Representative: Chien-Hsin Wang		
	Director	Representative: Ming-Chuan Hsieh		
	Director	Representative: Yi-Nuo Chen		
	Supervisor	Representative: Yung-Lung Lin		
Shan-Loong Automotive Co., Ltd.		Shan-Loong Transportation Co., Ltd.	20,000	100%
	Chairman	Representative: Jen-Hao Cheng		
	Director	Representative: Kun-Lin Wu		
	Director	Representative: Ming-Chuan Hsieh		
	Director	Representative: San-Yu Chang		
	Director	Representative: Chun-Yi Ho		
	Supervisor	Representative: Yi-Hsin Chen		
Shan-Loong International Holdings Co., Ltd	Director	Shan-Loong Transportation Co., Ltd.	Contributed USD \$10,050,000	100%
		Representative: Jen-Hao Cheng		
Long Yun Investment Holding Co., Ltd	Director	Shan-Loong International Holdings Co., Ltd	Contributed USD \$820,000	100%
		Representative: Jen-Hao Cheng		
Loong De Investment Co., Ltd	Director	Shan-Loong International Holdings Co., Ltd	Contributed USD \$1.02 million	100%
		Representative: Jen-Hao Cheng		

Enterprise Name	Position	Name and Representative	Current shareholding	
			Number of shares at the end of the year (thousand shares)	Shareholding ratio
Shanghai Shantong Storage and Transportation Co., Ltd.		Long Yun Investment Holding Co., Ltd	Contributed RMB 5 million Yuan	60%
	Director	Representative: Jen-Hao Cheng, Lan-Hui Yu		
	Director	Wen-Ming Cheng, Hui Hsiung, Hua Chou		
Shan-Loong Logistics Co., Ltd.		Loong De Investment Co., Ltd	Contributed US \$1.02 million	51%
	Director	Representative: Jen-Hao Cheng, Lan-Hui Yu, Ken-Pei Cheng		
	Director	Representative: Pham Thi, Tuyetlounng Kien, Giang Thi		

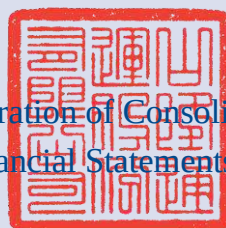
4. Status of operations of affiliates

In Thousands of New Taiwan Dollars

Name of Company	Capital	Total asset value	Total liabilities	Net Worth	Operating revenue	Operating profit	Net Income (Loss) (after tax)	Earnings per share (NT\$) (after tax)
Shan-Loong Investment Co., Ltd.	400,000	1,043,278	32,897	1,010,381	—	(2,771)	61,167	NA
Shan-Loong International & Customs Broker Co., Ltd.	131,000	429,818	101,963	327,855	730,833	8,526	26,201	NA
Shan-Loong Automotive Co., Ltd.	200,000	377,701	129,151	248,550	859,625	36,882	28,223	NA
Shan-Loong International Holdings Co., Ltd	302,822	769,049	641	768,408	—	(3,714)	91,325	NA
Long Yun Investment Holding Co., Ltd	12,370	235,044	650	234,400	—	—	(188)	NA
Loong De Investment Co., Ltd.	30,643	61,897	74	61,823	—	—	9,544	NA
Shanghai Shantong Storage and Transportation Co., Ltd.	35,514	399,900	10,171	389,728	—	(3,006)	(1,258)	NA
Shan-Loong Logistics Co., Ltd.	60,810	141,652	63,519	78,133	287,571	20,677	18,706	NA

(II) Consolidated Financial Statement of Affiliates

Declaration of Consolidated Financial Statements of



In 2022 (from January 1 to December 31, 2022), the company that should be included in the preparation of the consolidated financial statements of the related enterprise in accordance with the "Preparation Standards for Consolidated Financial Statements and Relationship Reports of Related Enterprises in the Consolidated Business Report of Related Enterprises" is the same as the company that should be included in the preparation of the consolidated financial statements of the parent subsidiary in accordance with the International Accounting Reporting Standards No. 10 approved by the Financial Supervision and Administration Commission, and the relevant information disclosed in the consolidated financial statements of the related enterprise has been disclosed in the consolidated financial statements of the former disclosed parent subsidiary, and the consolidated financial statements of the related enterprise are no longer prepared separately.

Sincerely

Name: Shan-Loong Transportation Co., Ltd.

Chairman: Jen-Hao Cheng



Date:

Date: March 13, 2023

- II. Status of private placement of marketable securities: None.
- III. Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year and as of the Publication Date of the Annual Report: None.
- IV. Other Necessary Statements: None.

Chapter 9. Article 36, paragraph 3, subparagraph 2 of the Act "any matter which has had a significant impact on shareholders rights or the price for the securities": None.