



SHIHLIN PAPER CORP.

Symbol : 1903

Roadshow Report

Dec. 18, 2017

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Company Profile-1

- Shihlin Paper Corporation (SPC) originally owned two mills, Shihlin Mill and Yung An Mill. Shihlin Mill, founded in 1918 under the name of “Taiwan Paper K.K.”, was the first of its kind in Taiwan using paper making machinery.
- After the recovery of Taiwan from Japanese rule, the government took over five Japanese-held paper mills in Shihlin, Lotung, Tatu, Hsinying, and Hsiaokang, merging them into one company named “Taiwan Paper Corporation.” It was a state-run enterprise initially subordinate to the Energy Council and later re-assigned to the Ministry of Economic Affairs.
- Following the implementation of the “Land to the Tiller” land reform policy in 1954, Taiwan Paper Corporation was privatized. In 1958, under a request from shareholders for a split-up, the Shihlin mill was branched out as “Shihlin Paper Co., Ltd.”, which was formally established on Jan. 1, 1959.

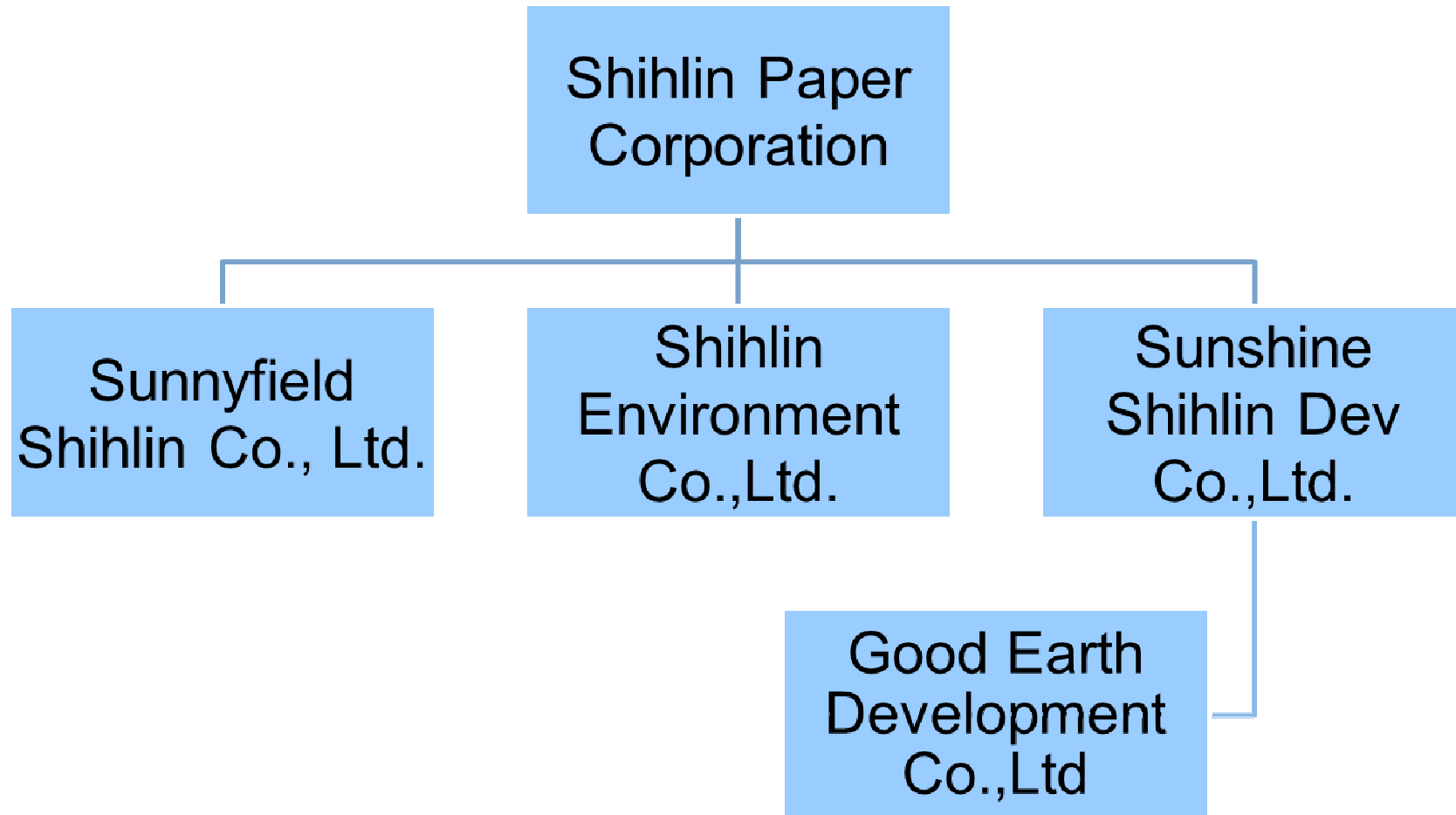


Company Profile-2

- Shihlin Paper Co., Ltd. owned Shinlin and Yung An Mills. Shihlin Mill was closed on Dec. 20, 1998, while the production line of Yung An Mill was suspended in October 2014.
- The company and its subsidiaries are engaged mainly in the production and sale of processed paper products while investing in housing development projects.
- To adapt to changes in the market and new market demands, the company has gradually adjusted its business operations, adding wet wipes and facial masks to its product list.



The Company and Affiliated Businesses Organization Chart



Major Businesses of Subsidiaries

Company Name	Major Business Items or Products
Sunnyfield Shihlin Co., Ltd	Businesses related to cosmetics and skin care product research and development and design
Shihlin Environment Co.,Ltd	Businesses related to investments in housing development projects and urban renewal projects
Sunshine Shihlin Dev Co.,Ltd	Businesses related to housing unit and office building sale and lease as well as real estate rental service
Good Earth Development Co.,Ltd	Businesses related to urban renewal construction projects



Range of Products and Services

1. Wet Wipe:

- (1) Own-brand product “Baby Lion” management.
- (2) Baby wet wipe sales.
- (3) Mini pocket pack series promotion and development.

2. Skin Care Product:

- (1) Own-brand product “Forest Beauty” management.
- (2) Facial mask and skin care products sales.
- (3) Bio Cellulose Series for domestic sales and basic skin care product promotion and development.

3. Investing in relevant businesses and government-encouraged businesses.

4. Commissioning construction companies to build commercial buildings and public housing units for rent and sale.



Production Information -1

- Ultra Pure Water Wet Wipe



Product Information-2

- Mini pocket pack Series



- Feminine Wipes

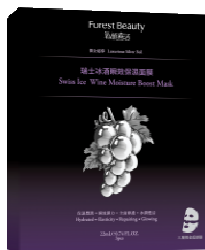


Product Information-3

- **Natural Botanical Series**

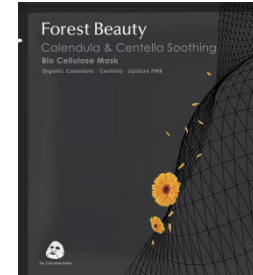
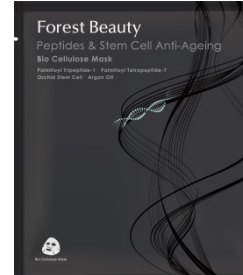
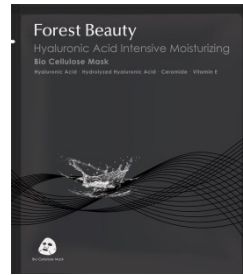
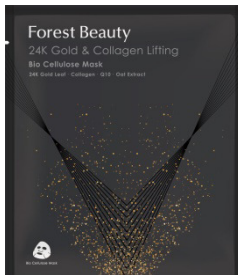


- **Nano Gold Foil Series**



Product Information-4

- Bio Cellulose Series



Business Plan Summary

1. The company's management strategy for this year is orientated towards marketing instead of production. It continues to develop products meeting market requirements while enhancing management efficiency.
2. In response to a decline in birthrates and a growth in the adult market in recent years, the company has been expanding its product lineup and adding new items to its product assortment, demonstrating strong motivation in widening marketing channels and increasing sales.
3. Besides maintaining its existing customer base and supplementing the effort with marketing techniques like sales promotions and media advertisements, the company is integrating physical and virtual resources by making its products increasingly available at main physical stores and on-line shopping websites. The move is aimed at expanding the company's market share and profits therefrom.
4. The company plans on participating in international exhibitions, recruiting overseas agents, and expanding its international market share.



Effects of Legal Environment and Overall Business Environment

1. Wet wipe products have passed all relevant checks and inspections and met legal requirements, providing customers with the best possible user experience.
2. The company has continued to develop innovative and high-value products in recent years, striving at the same time to strengthen its research and development as well as marketing capabilities. Cultivating talented personnel is also part of the company's future development strategy.
3. In the future, the company will endeavor to take on challenges at different stages of development in a pragmatic manner same as seen before. It will continue its development in the consumer product market, make sure of reaching the objectives, and fulfill its social responsibility. The ultimate goal is to create the greatest possible profits and benefits for shareholders and staff.



Industry Overview

1. Although the wet wipe market serves mainly for babies and young children, the company has developed according to changes in life style some functional products with further development potential, including anti-bacterial wet wipes, kitchen cleaning wet wipes, floor cleaning wet wipes, and feminine wipes.
2. Due to the rise of environmental awareness, the government is now concerned not only about household cleanliness, the maintenance of which requires soft-textured, safe, and convenient products, but also about environmental protection and pollutant reduction, a trend gaining increasing momentum.
3. Changes in life style and user habits have led to the development of a wider variety of wet wipes to meet diverse individual needs and specific household cleaning requirements. With the growth in market demands, the company continues to put out diversified products made of non-woven fabrics, the consumption of which is considerable in Taiwan and other Asian markets.
4. The connectivity between upstream, mid-stream, and downstream suppliers in the wet wipe industry:
Non-woven fabric manufacturer to commodity inspection institutions to consumer
5. The skin care product market sees emergence of new products every so often. Consumers like to try new facial masks. There are new additions to the Forest Beauty series, with each catering to different customer needs. Different mask products are differentiated from each other in their composing ingredients. Essence formulas selected for these masks are those capable of meeting market requirements.
6. The connectivity between upstream, mid-stream, and downstream suppliers in the skin care product industry.
OEM manufacturer of skin care products (capable of inspecting products on their own) to top-end inspection lab to marketing channel to consumer



Market Analysis

1. The company sells its products mainly in Taiwan, dividing its sales areas into two, with Taipei, Taoyuan, Hsinchu, and Miaoli as one area and central and southern Taiwan as the other. It now seeks to gain access to the world market.
2. Future supply and demand and market growth: According to market analysis by specialists and market survey results, the consumption of wet wipes and skin care products continues to grow. Popular wet wipes are affordable ones featuring pure water ingredients, while mainstream skin care products are patented ones featuring unique ingredients. On the basis of different customer needs, the company plans to develop a variety of functional products and unique products featuring natural ingredients and patented formulas so as to increase sales through product diversification and market segmentation.
3. Future supply and demand: The company plans to recruit more OEM manufacturers at home and abroad to meet market demands in the future.
4. Favorable and unfavorable factors for future development:
 - (1) Favorable factors: Under the assistance of OEM manufacturers at home and abroad, which are technically better able to produce products and highly competitive in terms of capabilities to innovate production process, the company now owns a product line more diverse than its competitors, on an equal footing with major Taiwan and foreign companies of the same kind.
 - (2) Unfavorable factors: Owing to limited demands in the local market, too many brands vying for a piece of the pie, and an abundance of resources, the company has no other way but to count on marketing strategy to attract consumers and expand its market share.



SPC Income Statement

Unit : NT\$1,000

	Jan-Sep 2017	Jan-Sep 2016	Change %	2016	2015
Operating Revenue	56,782	24,142	135%	33,245	176,715
Gross Profit(Loss)	19,407	1,453	1236%	(9)	(21,250)
Net Operating Income (Loss)	(41,254)	(72,276)	-43%	(93,029)	(133,373)
Pretax Net Income (Loss)	(115,069)	(138,195)	-17%	(182,904)	(158,781)
Taxes	1,156	0	0%		
Net Profit(Loss) for the Period	(115,069)	(138,195)	-17%	(182,904)	(158,781)
Operating Gross Margin	34%	6%	468%	0%	-12%
Net Operating Income (Loss) Margin	-73%	-299%	-76%	-280%	-75%



Aggregate Income Statement

Unit : NT\$1,000

	Jan-Sep 2017	Jan-Sep 2016	Change %	2016	2015
Operating Revenue	150,247	50,871	195	69,565	205,498
Gross Profit (Loss)	41,538	(4,689)	986	(5,990)	(15,936)
Net Operating Income (Loss)	(114,569)	(167,728)	-32	(213,442)	(225,440)
Pretax Net Income (Loss)	(113,913)	(138,195)	-18	(182,904)	(158,781)
Taxes	1,156	0	100	0	0
Net profit (Loss) for the Period	(115,069)	(138,195)	-17	(182,904)	(158,781)
Operating Gross Margin	28%	-9%	-400	-9%	-8%
Net Operating Income (Loss) Margin	-76%	-330%	-77	-307%	-110%



Business Development Plan-Short-Term

1. Short-term business development plant :

(1) Marketing strategy:

- A. To develop new marketing channels on the basis of product attributes and work out marketing strategy according to product and market channel differentiation.
- B. To bring new life to own-brand products, keep track of customer needs, and replicate success patterns in an innovative way. New products are already on the market.
- C. To actively explore the overseas market and new business opportunities, and make sure of sustainable management through diversification and asset revitalization.

(2) Marketing and research and development strategy

- A. To stay informed of market conditions and develop differentiated and tailor-made products so as to facilitate new product development and the company's being listed on the stock market.
- B. To work closely with academic and research and development institutions, participate in government-initiated development of new products, and apply whenever possible for patents to ensure the company's interests and expand the width of new products.

(3) OEM strategy

- A. To strictly monitor OEM manufacturers' production and self-inspection procedures to enhance product quality.
- B. To ask these manufacturers to maintain and improve machinery, and upgrade production technique to make the value of new and differentiated products stand out.



Business Development Plan-Medium to Long-Term

2. Medium to long-term business development plan :

- (1) To keep a firm grip on “win-win” core technology and continue to improve product quality to gain better competitive edge.
- (2) To follow diversified marketing strategy and promote more varied product assortment to expand market share.
- (3) To actively explore domestic and overseas markets and establish an image of the company as an international brand and an enterprise most loved and trusted by customers.



Future Development Strategy

- The future development is to be orientated towards wet wipes and skin care products. In its wet wipe production, the company will continue to expand consumption by adults. As for skin care products, it will continue to develop products specifically for women, such as the Forest Beauty series, to have a share of the female consumer market by meeting women's beautifying and health needs.



**Presentation is concluded.
Please give us your advice.**

