

SHIHLIN PAPER CORP.

Stock No. : 1903

Results Analyst Meeting

December 13, 2019



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Company Introduction-1

- **SHIHLIN PAPER CORP.** owns 2 paper factories named Shilin and Yuan. Shilin Factory was set in 1918, former one named Taiwan Paper Corp., the earliest mechanically paper manufacturer in Taiwan.
- The Government took over 5 paper factories including but not limited to Shilin, Luodong, Dadu, Xinying and Xiaokang after recovery, thereby forming into Taiwan Paper Corp., was subordinated from Resource Committee and turned to the Ministry of Economic Affairs, a national business.
- Taiwan Paper Corp. transformed to private business when R.O.C. Government enacted the Land-to-the-Tiller Act in 1954 and implemented separation as per request of shareholder in 1958 that Shilin Paper Factory was established as SHIHLIN PAPER CORP. on January 1, 1959.

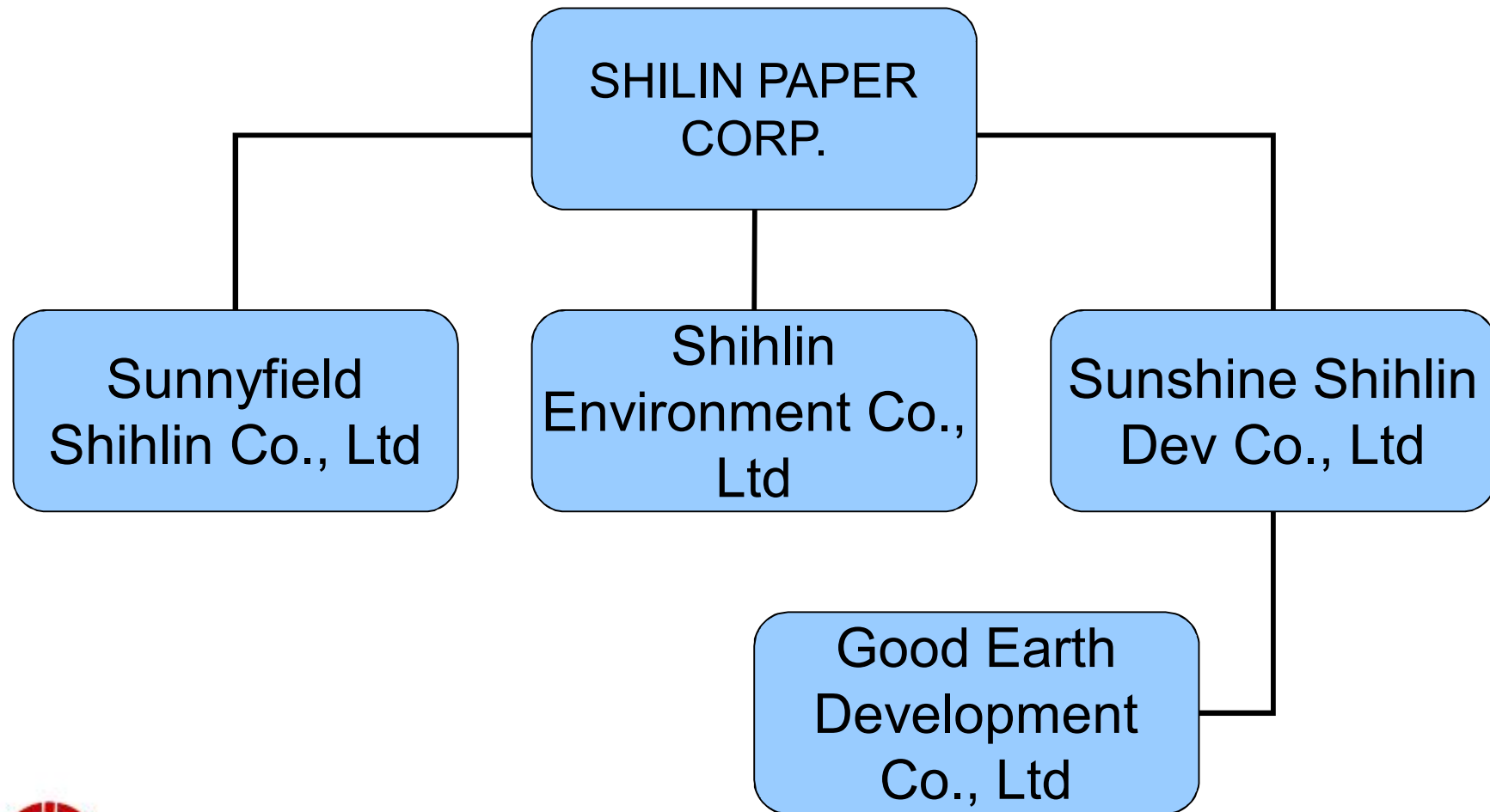


Company Introduction-2

- SHILIN PAPER CORP. owns Shilin and Yuan paper factories, among of which, Shilin Factory was shut down on December 20, 1998, while Yuan Factory stopped production line in October of 2014.
- We and our subsidiaries mainly engaged in production, marketing and invested development on paper-like processing product.
- We transformed ourselves by adjusting business items, adding the sales of a series of products including but not limited to wet paper towels, facial film, skincare products and anti-mosquito lines in response to the changeable needs in the market.



Organization Chart of Subsidiary



Main Business Items of Subsidiary

Company Name	Main Business or Production Items
Sunnyfield Shihlin Co., Ltd	Business regarding cosmetics skincare R&D
Shihlin Environment Co., Ltd	Business regarding invested development and urban city reconstruction
Sunshine Shihlin Dev Co., Ltd	Business regarding residence and building development, lease and sales, as well as lease of real estate
Good Earth Development Co., Ltd	Business regarding urban city reconstruction



Scope of Business

1. Wipes:

- (1) Operation of own brand, “Baby Lion” .
- (2) Baby wipe, Adult wipe, Feminine Wipes and Mini pocket pack Series.
- (3) Promotion of insect repellent series.
- (4) Baby Lion series of new products.

2. Skincare Product:

- (1) Operation of own brand named “Forest Beauty” .
- (2) Promotion of 14-Day skin renewing and revitalizing series for adults.

3. Investment in related business and government-incentive business.

4. Outsourced to build commercial building, national residence and for business of lease and sales.



Product Profile-1

- Ultra Pure Water Wet Wipe



Product Profile-2

- Mini pocket pack Series



- Feminine Wipes



Product Profile-3

- insect repellent



Product Profile-4

- Wash & Shampoo Series



Product Profile-5

- Repairing Barrier Series

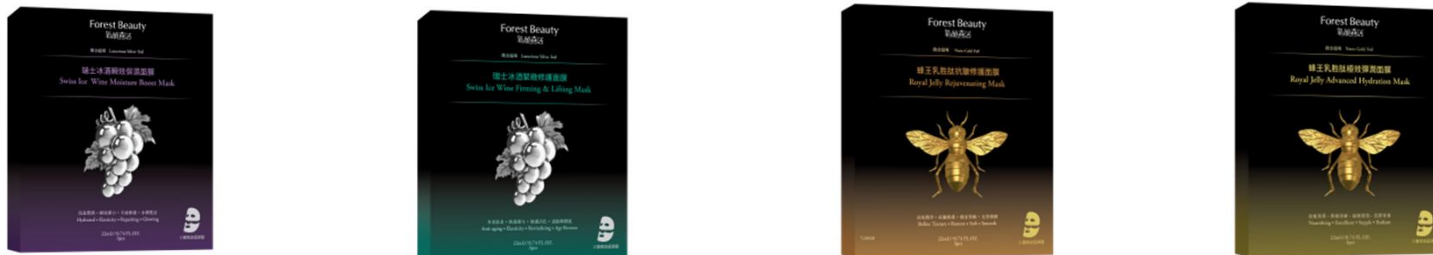


Product Profile-6

- Natural Botanical Series



- Nano Gold Foil Series

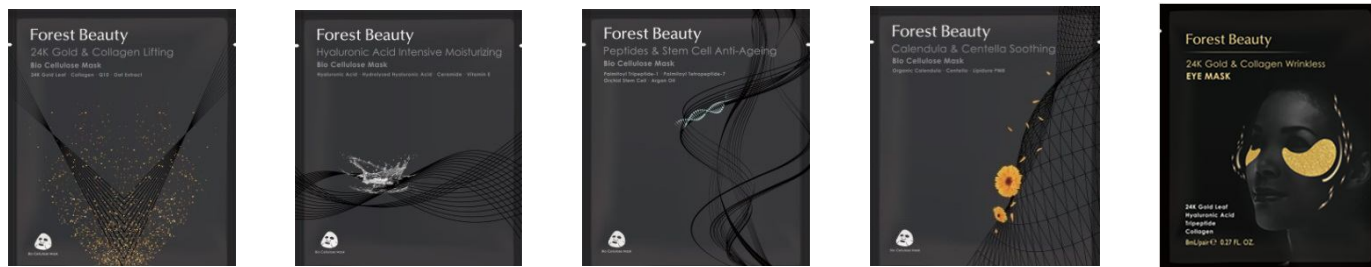


Product Profile-7

- Bio Cellulose Series



- Bio Cellulose Series



Product Profile-8

- 100% Non-Bleached Cotton Ultra-Nourishing Series



- Organic Cotton Mask Series



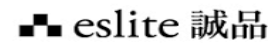
Product Profile-9

- 14-Day Skin Renewing & Revitalizing Series



Omni-Channel Distribution Strategy

- Physical Channel



- Online Channel



Overview of Business Plan

1. The awareness of environmental protection and rejection of chemical substance is essential and key to our consumers, regardless of wipes or insect repellents, they all stick to the principle of “security” and “anti-toxic”; adult market is subject to portable pack.
2. Community media develops with popularity of network; blog text or cosmetics video/audio channel have been critical to skincare brands and communication to our consumers; we will use more network and media to collect word-of-mouth sentiment to certify our brands.
3. We plan our participation in international exposition and search for overseas agents actively to expand our sales roadmap.



The effect on legal environment and overall operational environment

1. Wipe series have passed all tests, in compliance with related laws and orders, providing our consumers with the most superior and reliable quality.
2. We have kept doing R&D on those products with high output value, while reinforced capability of R&D and developed elites, which are also our focus strategy in the prospectus development.
3. We will remain our spirit of practices, facing challenges amid tasks across stages, operating consumer markets to achieve our goals and take all social responsibilities to maximize profit and the best welfare for our shareholders and employee.



Overview of Industry

1. Although consumers in wipe market focus on babies, in order to meet the changeable needs of life style, the space for functional development remains potential, such as anti-bacterial wipes, kitchen wipes, floor wipes, physical wipes.
2. Due to higher awareness of environmental protection, friendly ingredient becomes trend, so does home cleanness. In addition to softness of quality, safety and convenience, emphasizing environmental protection and reducing pollution is even an essential trend in the future.
3. The life style of consumers, change of user habit and the user target that wipes shall get toward becomes more toward the needs specified for individual and home cleanness across groups. The needs for new release of market comes larger and larger; hence, versified non-woven material and ceaseless output of differentiated product come around key role amid consumable needs in Asia market.
4. Consumers start the awareness of issue in the market to develop new products, mastering opportunities from entailed natural ingredients and protection of the ocean, loving new mask trails and Forest Beauty releases various lines with versified pursuit constantly. In addition to differentiation reflected on the material, the formula of essence on the mask also tries best to meet the quest in the market by selecting ingredient satisfying this part.
5. More and more skincare brands focus on reduced pack, refusing delicate pack and turning to simplified style, even giving feedback to consumers with empty bottle recycle plan, which becomes the trend in the future.
6. Consumers face large pressure daily that the concept of “love yourself” is reflected on the needs of skincare products; they pay more attention to the performance of ingredient than the price, in view of this, mid-to-high priced products will be the hot sales ones.



Market Analysis

1. We focus our sales domestically, dividing into 2 regions, Northern Tao-Chu-Miao and Central-southern. We are expanding global market proactively.
2. Potential supply and need, as well as growth in the future: the wipe and skincare market keeps increase as indicated from the statistics of professional market surveys. Wipes focus on flat price and pure water, while skincare product focuses on whitening, friendly ecologism and naturally organic. The pricing strategy is set by versified priced consumer groups.
3. The age level of skincare product users drops down due to popular anti-aging concept, which forms a group with growth power in the mask skincare market.
4. Pros and cons behind prospectus development:
 - (1) Pros: The concept of supplying secure product to consumers roots domestically; consumers groups who seek for naturally organic raw material and ingredient as well as quality assurance reaching superior, meeting their quest of natural ingredient.
 - (2) Cons: Crowds of mask brands spread domestically; the confidence of consumers on the product comes from the goodwill of manufacturers accumulated in a long run. We need to provide powerful quality certification and marketing strategy which reflects the thoughts of consumers to appeal to the support, so as to make breakthrough amid obstacles accessing the market.



Shilin Paper Corp. Income Statement

Unit: NTD1,000

	2019/January-September	2018/January-September	Change %	2018	2017	2016
Business income	79,575	93,541	-15%	117,772	77,747	33,245
Operating gross profit (Loss)	34,391	39,469	-13%	48,535	28,268	(9)
Operating net profit (loss)	(29,392)	(14,383)	104%	(23,660)	(53,456)	(93,029)
Net profit before tax (loss)	(130,635)	(131,596)	-1%	(166,806)	(170,453)	(182,904)
Income tax	0	0	0%	0	0	0
Current net profit (loss)	(130,635)	(131,596)	-1%	(166,806)	(170,453)	(182,904)
Operating gross profit ratio	43%	42%	2%	41%	36%	0%
Operating net profit (loss) ratio	-37%	-15%	147%	-20%	-69%	-280%



Consolidated Income Statement

Unit: NTD1,000

	2019/January-September	2018/January-September	Change %	2018	2017	2016
Business income	125,864	146,424	-14%	218,526	186,320	69,565
Operating gross profit (Loss)	37,463	23,088	62%	46,827	(51,466)	(5,990)
Operating net profit (loss)	(140,803)	(141,962)	-1%	(171,908)	(165,236)	(213,442)
Net profit before tax (loss)	(130,635)	(131,596)	-1%	(166,281)	(168,776)	(182,904)
Income tax	0	0	0%	525	1,677	0
Current net profit (loss)	(130,635)	(131,596)	-1%	(166,806)	(170,453)	(182,904)
Operating gross profit ratio	30%	16%	87.5%	21%	-28%	-9%
Operating net profit (loss) ratio	-112%	-97%	15%	-79%	-89%	-307%



Business Developmental Proposal-Short Term

1. Short-term business development plan:

(1) Sales strategy:

- A. Develop new channel by positioning the property of product; develop marketing strategy with differentiation of product and channels.
- B. Activate energy of brand, master consumer needs from time to time and innovate the fabricated success cases for new release.
- C. Expand overseas market and new business actively; ensuring sustainable operation by diversified management of activated assets.

(2) Marketing and R&D strategy

- A. Master trend in the market and develop differentiation, customizing products for improved R&D performance and successful release.
- B. Launch tight cooperation with academy and R&D units, participating in R&D by related units of government on the new product and file for patent actively to assure rights and interests, broadening range of new product.

(3) OEM Strategy

- A. Strict monitoring and voluntary inspection reinforce improved quality of product.
- B. Manufacturers are requested to cooperate on improvement and service for equipment, upgrading process and technology to achieve the value of new product differentiation.



Business Developmental Proposal – Mid-Long Term

2. Mid-long Term Business Development Plan:

- (1) Master win-win core technology, improving quality to upgrade competitive advantages.
- (2) Promote versified product portfolio with versification marketing strategy to rise up market share.
- (3) Expand domestic and overseas market actively, building the image of international brand, becoming the company and famous brand beloved and trusted by consumers.



Prospectus Strategy

- Our promising new product shall be categorized into bath product and skincare product; being natural and safe will be the spindle of our pursuit, which are classified into Baby Lion bath product; Forest Beauty face skincare and bath lines for larger consumer groups across age levels, providing inclusive satisfaction on beauty and health and grasp body care market.



**Thank you
for your
attendance!**

