

Stock Symbol: 1903

Shihlin Paper Co., Ltd.

Parent Company Only Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2024 and 2023

Shihlin Paper Co., Ltd.

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The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

Shihlin Paper Co., Ltd.

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Independent Auditors' Report

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

Opinion

We have audited the financial statements of Shihlin Paper Co., Ltd. (the Company), which comprise the balance sheets as of December 31, 2024 and 2023, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2024 and 2023, and its parent company only financial performance and its parent company only cash flows for January 1 to December 31, 2024 and 2023 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of

most significance in our audit of the parent company only financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the parent company only financial statements. In forming our opinion, we do not provide a separate opinion on these matters. The Key audit matters identified in the audit of the Company's parent company only financial statements as of and for the year ended December 31, 2024 is as follows:

Tangible asset impairment assessment

For the accounting policy for tangible asset impairment, please refer to Note (IV) 12 of the parent company only financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (V) of the parent company only financial statements.

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

Corresponding audit procedure

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

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

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the

Preparation of Financial Reports by Securities Issuers and maintenance of necessary internal control related to the preparation of said statements to ensure that said statements to be free from any material misstatement, either due to fraud or errors.

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

The governance bodies, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Parent Company Only Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, either due to fraud or error, and to issue an auditors' report. Reasonable assurance is a high level of assurance. Still, it is not a guarantee that an audit conducted in accordance with the auditing standards of R.O.C. will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. If the misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken based on these financial statements, they are considered material.

As part of an audit in accordance with the auditing standards of R.O.C., we exercise professional judgment and professional skepticism throughout the audit. We also perform the following tasks:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, either 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 the one resulting from the error. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control related to the audit in order to design audit procedures that are appropriate in the circumstances but not to express an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention from the users of the parent company only financial statements in our auditors' report to the relevant disclosures in the parent company only 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 parent company only financial statements, including the relevant notes, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only 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 the governance bodies, 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 the governance bodies with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our

independence, and where applicable, relevant protective measures.

From the matters communicated with the governance bodies, we determine those matters that were of most significance in the audit of the parent company only financial statements for the year ended December 31, 2024 and are the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Yu-Ling Hung and Min-Chih Chuo.

Earnest & Co.,CPAs.

Taipei, Taiwan (Republic of China)

March 11, 2025

Notice to Readers

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

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

Shihlin Paper Co., Ltd.
Statements of Comprehensive Income
For the Years Ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note	2024		2023	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 87,913	100.00	\$ 128,649	100.00
5000	Operating costs	(VI) and (VII)	34,791	39.57	69,818	54.27
5900	Gross operating profit		53,122	60.43	58,831	45.73
5910	Less: Unrealized sales profits		-	-	323	0.25
5920	Add: Realized sales profits		163	0.18	-	-
5950	Net operating profit		53,285	60.61	58,508	45.48
	Operating expenses					
6100	Selling expenses	(VII)	23,125	26.30	39,170	30.44
6200	Administrative expenses	(VII)	34,074	38.76	35,145	27.32
6300	R&D expenses	(VII)	2,372	2.70	3,586	2.79
6000	Total operating expenses		59,571	67.76	77,901	60.55
6900	Operating losses		(6,286)	(7.15)	(19,393)	(15.07)
	Non-operating revenue and expense					
7010	Other income	(VI) and (VII)	65,812	74.86	191,771	149.06
7020	Other gains and losses	(VI)	5,961	6.78	(1,591)	(1.24)
7050	Financial costs	(VI)	(19,306)	(21.96)	(16,129)	(12.54)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	(IV)	(67,190)	(76.43)	(68,306)	(53.09)
7000	Total non-operating revenue and expenses		(14,723)	(16.75)	105,745	82.19
7900	Net profit (loss) before tax		(21,009)	(23.90)	86,352	67.12
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net profit (loss) for the period		(21,009)	(23.90)	86,352	67.12
	Other comprehensive income - net Items that may not be reclassified subsequently to profit and loss					
8311	Gains (losses) on remeasurements of defined benefit plans	(IV) and (VI)	201	0.23	(62)	(0.05)
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	993,665	1,130.28	(948,999)	(737.66)
8300	Total other comprehensive income (net of tax) for the current period		993,866	1,130.51	(949,061)	(737.71)
8500	Total comprehensive income (loss)		\$ 972,857	1,106.61	\$ (862,709)	(670.59)
	Earnings per share					
9750	Basic earnings per share	(VI)	\$ (0.08)		\$ 0.33	

The accompanying notes are an integral part of the parent company only financial statements

Shihlin Paper Co., Ltd.
Statements of Changes In Equity
For the Years Ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

Item	Share capital		Retained earnings			Other items of equity	Total Equity
	Shares (thousand)	Amount	Special reserve	Deficit to be offset	Total retained earnings	Unrealized Gain (Loss) on Financial Assets at FVTOCI	
Balance as of January 1, 2023	260,039	\$ 2,600,391	\$ 1,532,258	\$ (1,480,765)	\$ 51,493	\$ 2,512,290	\$ 5,164,174
Net profit for 2023	-	-	-	86,352	86,352	-	86,352
Other comprehensive income for 2023	-	-	-	(62)	(62)	(948,999)	(949,061)
Total comprehensive income for 2023	-	-	-	86,290	86,290	(948,999)	(862,709)
Balance as of December 31, 2023	260,039	2,600,391	1,532,258	(1,394,475)	137,783	1,563,291	4,301,465
Net loss for 2024	-	-	-	(21,009)	(21,009)	-	(21,009)
Other comprehensive income for 2024	-	-	-	201	201	993,665	993,866
Total comprehensive income for 2024	-	-	-	(20,808)	(20,808)	993,665	972,857
Balance as of December 31, 2024	260,039	\$ 2,600,391	\$ 1,532,258	\$ (1,415,283)	\$ 116,975	\$ 2,556,956	\$ 5,274,322

The accompanying notes are an integral part of the parent company only financial statements

Shihlin Paper Co., Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023
(Expressed in Thousands of New Taiwan Dollars)

	2024	2023
Cash flows from operating activities:		
Net profit (loss) before tax for the period	\$ (21,009)	\$ 86,352
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	6,659	6,841
Amortization expense	1,458	1,490
Interest expense	19,306	16,129
Interest income	(7,058)	(1,269)
Dividend income	(58,071)	(190,282)
Share of profit or loss of subsidiaries accounted for using the equity method	67,190	68,306
Gain on disposal of property, plant and equipment	(52)	-
Unrealized (realized) sales profits	(163)	323
Changes in operating assets and liabilities:		
Decrease in accounts receivable	6,103	1,685
Decrease in other receivables	6,981	72
Decrease (increase) in inventories	(140)	328
Decrease (increase) in prepayments	(684)	2,162
Increase in other current assets	(609)	(79)
Increase in net defined benefit assets	(43)	(46)
Decrease in accounts payable	(5,750)	(1,769)
Decrease in other payables	(1,449)	(2,139)
Decrease in other current liabilities	(21)	(8)
Cash inflow (outflow) from operating activities	12,648	(11,904)
Interest received	6,846	1,269
Dividends received	58,146	190,282
Net cash inflow from operating activities	77,640	179,647
Cash flows from investing activities:		
Decrease (Increase) in financial assets at amortized cost	30,705	(30,705)
Increase (decrease) in other receivables	22,350	(22,350)
Acquisition of investments under equity method	(300,000)	-
Acquisition of Property, Plant and Equipment	(378)	(767)
Proceeds from disposal of property, plant and equipment	52	-
Acquisition of investment property	(185)	(1,800)
Decrease in refundable deposits	15	-
Net cash used in investing activities	(247,441)	(55,622)

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Shihlin Paper Co., Ltd.
 Statements of Cash Flows
 For the Years Ended December 31, 2024 and 2023
 (Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2024	2023
Cash flows from financing activities:		
Short-term borrowings	\$ 5,725,500	\$ 3,802,500
Repayment of short-term loans	(5,375,500)	(3,923,500)
Borrowing of short-term bills payable	1,234,000	1,018,000
Repayment of short-term bills payable	(1,352,000)	(900,000)
Increase in guarantee deposit received	60	-
Interest paid	(19,184)	(16,235)
Net cash inflow (outflow) from financing activities	212,876	(19,235)
Increase in cash and cash equivalents for the current period	43,075	104,790
Cash and cash equivalents at the beginning of the year	155,478	50,688
Ending balance of cash and cash equivalents	\$ 198,553	\$ 155,478

The accompanying notes are an integral part of the parent company only financial statements

Shihlin Paper Co., Ltd.

Notes to the Financial Statements

For the Years Ended December 31, 2024 and 2023

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

(I) Organization and operations

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

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

(II) The Authorization of Financial Statements

The parent company only financial statements were approved by the Company’s Board of Directors on March 11, 2025.

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

Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the “IFRS Accounting Standards”) endorsed and issued into effect the Financial Supervisory Commission (FSC)

Application of the amended IFRS Accounting Standards endorsed and issued into effect by the Financial Supervisory Commission (FSC) has no significant impact on the Company’s accounting policies.

2. IFRS Accounting Standards applicable since 2025 and endorsed by the FSC

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025

As of the date of adopting the parent company only financial statements, the Company assesses that the amendments to the above standards and interpretations will not have a significant impact on the Company's financial position and financial performance.

3. The IFRS Accounting Standards issued by IASB but not yet endorsed and issued into effect by the FSC Accounting Standards

New, Revised, or Amended Standards and Interpretations	Effective Date Issued by IASB
Annual Improvements to IFRS Accounting Standards—Volume 11	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments"	January 1, 2026
Amendments to IFRS 9 and IFRS 7 "Contracts Referencing Nature-dependent Electricity"	January 1, 2026
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023
IFRS 18 "Presentation and Disclosure in Financial Statements"	January 1, 2027
IFRS 19 "Disclosure Initiative—Subsidiaries without Public Accountability: Disclosures"	January 1, 2027

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

(IV) Summary of Significant Accounting Policies

1. Statement of compliance

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

2. Basis of preparation

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

3.Foreign currency

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

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

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

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

Current assets include cash or cash equivalents (excluding the assets restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date); assets held primarily for the purpose of trading; and assets expected to be realized within 12 months after the balance sheet date or to be realized, sold, or consumed in its normal business cycle. Assets that are not current assets are classified as non-current assets. Current liabilities include liabilities held primarily for the purpose of trading; liabilities due to be settled

within 12 months after the balance sheet date or in its normal business cycle (liabilities with long-term refinancing or rearrangement of payment terms completed after the balance sheet date and before the publication of the financial statements are also deemed to be current liabilities); and liabilities for which, at the balance sheet date, there is no substantive right to defer settlement for at least twelve months after the balance sheet date. Liabilities that are not current liabilities are classified as non-current liabilities.

5. Cash and cash equivalents

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

6. Financial instruments

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

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

Financial asset

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

practices.

(1) Measurement types

Financial assets held by the Company are classified as financial assets at amortized cost and investments in equity instruments at FVTOCI.

① Financial assets at amortized cost

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

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

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

② Investments in equity instruments at FVTOCI

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

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

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

recovery of a part of the investment cost.

(2) Impairment of financial assets

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

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

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

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

(3) Derecognition of financial assets

The Company derecognizes the financial assets only when the contractual rights to the cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the financial assets to another entity.

When derecognizing a financial asset measured at amortized cost in its entirety, the difference between the carrying amount and the consideration received is recognized in profit or loss. When derecognizing investments in equity instruments at FVTOCI in its entirety, the cumulative profit or loss is

transferred directly to retained earnings. It is not reclassified as profit or loss.

Equity instrument

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

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

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

Financial liability

(1) Subsequent measurement

Financial liabilities are at amortized cost by the effective interest method or at FVTPL.

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

(2) Derecognition of financial liabilities

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

7. Inventories

The inventory includes raw materials and commodities. The value of inventory shall be determined based on the cost and net realizable value (NRV), whichever is lower. With the exception of the same category's inventory, individual items shall be assessed when comparing the cost and NRV. The NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The cost of inventory is calculated using the weighted average method.

8. Investment under equity method

The Company adopts the equity method to handle investments in subsidiaries. A subsidiary refers to an entity controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost. After the acquisition date, the investment's carrying amount is adjusted based on the Company's share of profit or loss and other comprehensive income and profit distribution of the subsidiary. In addition, changes in the interests in subsidiaries are recognized based on the shareholding percentage. When the Company's share of loss derived from the investment in a subsidiary equals or exceeds the carrying amount in the Company's equity in the subsidiary and any other long-term equity that substantively forms part of the Company's net investment in the subsidiary, the Company continues to recognize it as loss based on the shareholding percentage.

When the Company's change in the equity of ownership of a subsidiary does not result in the loss of control of the subsidiary, it is an equity transaction and is treated as a transaction with owners. The difference between the carrying amount in an investment and the fair value of the consideration paid or received is directly recognized as equity.

When the Company loses control of a subsidiary, the Company measures its retained investment in said subsidiary based on the fair value at the date of loss of control, the fair value of the retained investment, and the difference between any disposal price and the carrying amount in the investment at the date of loss of control are recognized in profit or loss. In addition, all amounts recognized in other comprehensive profits and losses related to the subsidiary are accounted for on the same basis as the Company's direct disposal of relevant assets or liabilities.

The unrealized gains and losses of downstream transactions between the Company and its subsidiaries are eliminated in the parent company only financial

statements. The profit or loss arising from the upstream and lateral transactions between the Company and its subsidiaries is recognized in the parent company only financial statements only to the extent that it has nothing to do with the Company's equity in the subsidiaries.

9. Property, Plant and Equipment

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

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

Self-owned land is not recognized in depreciation.

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

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

10. Investment Property

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

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

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

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

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

11. Intangible asset

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

intangible asset before the expiry of its useful life, the residual value of the intangible asset with a limited useful life is estimated to be zero.

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

12. Impairment of tangible and intangible assets (except goodwill)

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

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

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

13. Leases

(1) The Company as lessor

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

(2) The Company as lessee

When almost all the risks and rewards attached to the ownership of the

asset are transferred to the lessee in a lease clause, it is classified as a financial lease. All other leases are classified as operating leases.

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

14. Borrowing costs

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

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

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

15. Post-employment benefits

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

The cost of defined benefits under the defined benefit retirement plan (including service cost, net interest, and the remeasurement amount) is calculated based on the projected unit credit method. The service cost (including service cost of the current period, service cost of previous periods, and gain or loss on settlement) and the net interest of net defined benefit liabilities (assets) are recognized as employee benefit expenses as they occur. The remeasurement amount (including actuarial gains and losses and the return on plan assets after deducting interest) is recognized in other comprehensive

income and presented in retained earnings when it occurs. It is not reclassified as profit or loss in subsequent periods.

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

16. Income recognition

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

(1) Income from sales of goods

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

(2) Income from labor services

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

17. Income tax

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

(1) Tax currently payable

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

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

(2) Deferred tax

Deferred income tax is calculated and recognized based on the temporary difference between the carrying amount in assets and liabilities in the financial statements and the tax basis of taxable income calculation.

Deferred income tax liabilities are generally recognized for all taxable temporary differences, and deferred income tax assets are recognized when there are likely to be taxable income, against which the deductible temporary differences, losses, and loss credits can be utilized.

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

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

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

(3) Current and deferred income tax

Current and deferred income taxes are recognized in profit or loss; however, the current and deferred income taxes related to items recognized

in other comprehensive income or directly recognized in equity are recognized in other comprehensive income or directly in equity, respectively.

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

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

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

Tangible asset impairment assessment

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

(VI) Summary of Significant Accounting Items

1. Cash and cash equivalents

Item	2024.12.31	2023.12.31
Cash on hand	\$ 105	\$ 85
Check and demand (current) deposit	11,831	39,188
Cash equivalents (bank time deposits with original maturity of less than 3 months)	186,617	116,205
Total	\$ 198,553	\$ 155,478

As of Dec. 31, 2023, bank time deposits with an original contract period of more than 3 months are in the amount of NT\$30,705 thousand and classified as financial assets measured at amortized cost.

2. Financial assets at FVTOCI

Item	2024.12.31	2023.12.31
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 3,103,615	\$ 2,109,953
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	7,361	7,358
Total	\$ 3,110,976	\$ 2,117,311

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

3. Financial assets at amortized cost

Item	2024.12.31	2023.12.31
Time deposit	\$ -	\$ 30,705

4. Net accounts receivable

Item	2024.12.31	2023.12.31
Trade receivable	\$ 47,212	\$ 53,315

In principle, the Company's credit period for trade receivable is 30 days after the invoice date or OA 30-60 days. The Company estimates the irrecoverable amount in trade receivable at the balance sheet date in accordance with the expected credit loss provision policy to ensure that appropriate loss allowance for the irrecoverable receivables has been provided. The Company recognizes the loss allowance for trade receivable based on the lifetime expected credit losses. The expected credit losses on trade receivables are estimated regarding the debtor's past default experience and by analyzing the debtor's current financial position, the general economic conditions of the industry in which the debtor operates, and the prospect of said industry.

None of the Company's notes receivable is overdue.

Aging analysis of trade receivable

	2024.12.31		2023.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 47,212	\$ -	\$ 53,315	\$ -
Past Due	-	-	-	-
	<u>\$ 47,212</u>	<u>\$ -</u>	<u>\$ 53,315</u>	<u>\$ -</u>

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

5. Inventories

Item	2024.12.31	2023.12.31
Merchandise	\$ -	\$ 1
Raw materials	772	631
Net balance of inventory	<u>\$ 772</u>	<u>\$ 632</u>

The operating costs in relation to inventories in 2024 and 2023 were NT\$24,613 thousand and NT\$59,840 thousand, respectively.

In 2024, the Company sold inventories with valuation losses, and it resulted in gains on inventory value recovery of NT\$160 thousand, which was debited to the operating costs. In 2023, the Company incurred an inventory impairment loss of NT\$323 thousand, which was recognized as an addition to current operating costs.

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

6. Investment under equity method

Investee	2024.12.31		2023.12.31	
	Shareholding percentage	Amount	Shareholding percentage	Amount
Shihlin Environment Corporation	100.00%	\$ 423,830	100.00%	\$ 123,576
Sunshine Shihlin Development Co., Ltd.	100.00%	2,504,408	100.00%	2,560,880
Sunnyfield Shihlin Co., Ltd.	100.00%	41,463	100.00%	52,347
Total		<u>\$ 2,969,701</u>		<u>\$ 2,736,803</u>

The above-mentioned subsidiaries are all non-listed companies.

For information on subsidiaries, please refer to Table 4 "Information on

Investees.”

7. Property, Plant and Equipment

Item	2024.12.31	2023.12.31
Land	\$ 2,286	\$ 2,286
Buildings	3,462	3,796
Equipment	2,226	2,609
Transport Equipment	639	988
Other Equipment	1,242	606
Total net amount	\$ 9,855	\$ 10,285

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 113.1.1	\$ 2,286	\$ 8,278	\$ 17,554	\$ 4,682	\$ 7,034	\$ 39,834
Additions	-	-	-	-	855	855
Disposal	-	-	-	(429)	-	(429)
Balance as of 113.12.31	\$ 2,286	\$ 8,278	\$ 17,554	\$ 4,253	\$ 7,889	\$ 40,260
Accumulated depreciation and impairment						
Balance as of 113.1.1	\$ -	\$ 4,482	\$ 14,945	\$ 3,694	\$ 6,428	\$ 29,549
Depreciation expense	-	334	383	349	219	1,285
Disposal	-	-	-	(429)	-	(429)
Balance as of 113.12.31	\$ -	\$ 4,816	\$ 15,328	\$ 3,614	\$ 6,647	\$ 30,405
Net amount as of 113.12.31	\$ 2,286	\$ 3,462	\$ 2,226	\$ 639	\$ 1,242	\$ 9,855

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 112.1.1	\$ 26,172	\$ 8,278	\$ 17,554	\$ 4,682	\$ 6,820	\$ 63,506
Additions	-	-	-	-	214	214
Transfer to investment property	(23,886)	-	-	-	-	(23,886)
Balance as of 112.12.31	<u>\$ 2,286</u>	<u>\$ 8,278</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 7,034</u>	<u>\$ 39,834</u>
Accumulated depreciation and impairment						
Balance as of 112.1.1	\$ -	\$ 4,147	\$ 14,530	\$ 3,345	\$ 6,133	\$ 28,155
Depreciation expense	-	335	415	349	295	1,394
Balance as of 112.12.31	<u>\$ -</u>	<u>\$ 4,482</u>	<u>\$ 14,945</u>	<u>\$ 3,694</u>	<u>\$ 6,428</u>	<u>\$ 29,549</u>
Net amount as of 112.12.31	<u>\$ 2,286</u>	<u>\$ 3,796</u>	<u>\$ 2,609</u>	<u>\$ 988</u>	<u>\$ 606</u>	<u>\$ 10,285</u>

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

Buildings	2-35 years
Equipment	1-15 years
Transport Equipment	5–06 years
Other Equipment	2–10 years

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

8. Investment Property

Item	2024.12.31	2023.12.31
Land	\$ 105,075	\$ 105,075
Building	19,200	24,574
Investment property under construction	9,322	7,337
Total net amount	<u>\$ 133,597</u>	<u>\$ 136,986</u>

Cost	Land	Building	Investment property under construction	Total
Balance as of 113.1.1	\$ 105,075	\$ 449,268	\$ 7,337	\$ 561,680
Additions	-	-	1,985	1,985
Balance as of 113.12.31	<u>\$ 105,075</u>	<u>\$ 449,268</u>	<u>\$ 9,322</u>	<u>\$ 563,665</u>
Accumulated depreciation and impairment				
	-	-	-	424,69
Balance as of 113.1.1	\$ -	\$ 424,694	\$ -	\$ 4
Depreciation expense	-	5,374	-	5,374
				430,06
Balance as of 113.12.31	<u>\$ -</u>	<u>\$ 430,068</u>	<u>\$ -</u>	<u>\$ 8</u>
Net amount as of 113.12.31	<u>\$ 105,075</u>	<u>\$ 19,200</u>	<u>\$ 9,322</u>	<u>\$ 133,597</u>
			Investment property under construction	Total
Cost	Land	Building		
Balance as of 112.1.1	\$ 81,189	\$ 449,268	\$ 5,537	\$ 535,994
Additions	-	-	1,800	1,800
Transfer from Property, Plant and Equipment	23,886	-	-	23,886
Balance as of 112.12.31	<u>\$ 105,075</u>	<u>\$ 449,268</u>	<u>\$ 7,337</u>	<u>\$ 561,680</u>
Accumulated depreciation and impairment				
Balance as of 112.1.1	\$ -	\$ 419,247	\$ -	\$ 419,247
Depreciation expense	-	5,447	-	5,447
Balance as of 112.12.31	<u>\$ -</u>	<u>\$ 424,694</u>	<u>\$ -</u>	<u>\$ 424,694</u>
Net amount as of 112.12.31	<u>\$ 105,075</u>	<u>\$ 24,574</u>	<u>\$ 7,337</u>	<u>\$ 136,986</u>

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

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

The fair value of the Company's investment property as of December 31, 2024 and 2023 was NT\$6,421,508 thousand and NT\$4,166,809 thousand, respectively. The fair value was appraised by an independent appraiser using the

third-level inputs and evaluated using the income method.

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

9. Intangible asset

Item	2024.12.31	2023.12.31
Computer software	\$ 3,004	\$ 4,462
Cost	Computer software	
Balance as of 113.1.1	\$ 14,053	
Additions	-	
Balance as of 113.12.31	\$ 14,053	
Accumulated amortization	Computer software	
Balance as of 113.1.1	\$ 9,591	
Amortization expense	1,458	
Balance as of 113.12.31	\$ 11,049	
Net amount as of 113.12.31	\$ 3,004	
Cost	Computer software	
Balance as of 112.1.1	\$ 14,053	
Additions	-	
Balance as of 112.12.31	\$ 14,053	
Accumulated amortization	Computer software	
Balance as of 112.1.1	\$ 8,101	
Amortization expense	1,490	
Balance as of 112.12.31	\$ 9,591	
Net amount as of 112.12.31	\$ 4,462	

The above-mentioned intangible assets with limited useful life are amortized on a straight-line basis based on the estimated useful life of 3 to 10 years.

10.Short-term borrowings

Financing	2024.12.31	2023.12.31
Credit loans	\$ 600,000	\$ 250,000
Secured borrowings	550,000	550,000
Total	\$ 1,150,000	\$ 800,000
Interest rate per annum	1.85%~2.02%	1.75%~1.80%

11.Short-term bills payable

Item	2024.12.31	2023.12.31
Short-term bills payable - face value	\$ -	\$ 118,000
Less: Discounts	-	(6)
Short-term bills payable - net	\$ -	\$ 117,994
Interest rate per annum	-	1.838%

12.Post-employment benefit plans

(1) Defined contribution plans

The pension system of the Labor Pension Act applicable to the Company is a defined contribution plan managed by the government. An amount in 6% of each employee's monthly salary is allocated to the employee's individual account of the Bureau of Labor Insurance. Please Note (VI).18 for the pension expenses recognized by the Company in accordance with the defined contribution plan.

(2) Defined benefit plan

The pension system of the Labor Pension Act applicable to the Company is a defined benefit plan managed by the government. The payment of employee pension is calculated based on the length of service and the average salary of the 6 months prior to the retirement approval. The Company contributes 2% of each employee's total monthly salary for their retirement pensions, which will be deposited into the special account of Bank of Taiwan by the Supervisory Committee of Business Entities' Labor Retirement Reserve in its own name. Where the estimated balance of the special account before the end of the year is insufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be compensated before the end of March of the following year.

The special account is managed by the Bureau of Labor Funds, Ministry of Labor and the Company has no right to influence its investment management strategy.

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

	2024.12.31	2023.12.31
Present value of the defined benefit obligations	\$ (325)	\$ (2,078)
Fair value of plan assets	1,336	2,845
Net defined benefit assets	<u>\$ 1,011</u>	<u>\$ 767</u>

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

	2024	2023
Present value of the defined benefit obligations at the beginning of the year	\$ 2,078	\$ 1,968
Service cost	-	-
Interest expense	25	28
Remeasurement		
Actuarial losses - experience adjustments	59	46
Actuarial gains (losses) - changes in financial assumptions	(16)	36
Amount of benefits paid	(1,821)	-
Present value of the defined benefit obligations at year-end	<u>\$ 325</u>	<u>\$ 2,078</u>

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

	2024	2023
Fair value of plan assets, at the beginning of the year	\$ 2,845	\$ 2,751
Interest income	35	39
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	244	20
Employer's contribution	33	35
Amount of benefits paid	(1,821)	-
Fair value of plan assets at year-end	<u>\$ 1,336</u>	<u>\$ 2,845</u>

The information on the use of labor pension funds includes return on the funds and fund asset allocation. Please refer to the information published on

the website of the Bureau of Labor Funds.

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

	2024	2023
Service cost	\$ -	\$ -
Net interest	(10)	(11)
Total	<u>\$ (10)</u>	<u>\$ (11)</u>

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

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

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

	Measurement date	
	2024.12.31	2023.12.31
Discount rate	1.65%	1.25%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the defined benefit obligations	
	2024.12.31	2023.12.31
Discount rate		
Increase by 0.25%	(2.95%)	(2.86%)
Decrease by 0.25%	3.07%	2.97%
Expected increase rate of salaries		
Increase by 0.25%	3.08%	2.97%
Decrease by 0.25%	(2.98%)	(2.88%)

The Company expects to contribute NT\$25 thousand to the defined benefit plan within one year after December 31, 2024.

The average maturity period of the definite benefit obligations as of December 31, 2024 and 2023 was 12 and 11 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	2024.12.31	2023.12.31
2024	\$ -	\$ 56
2025	-	56
2026	-	55
2027	-	53
2028	55	108
2029 and onward	344	2,082
	<u>\$ 399</u>	<u>\$ 2,410</u>

13. Equity

(1) Share capital of ordinary shares

	2024.12.31	2023.12.31
Authorized capital	<u>\$ 2,800,000</u>	<u>\$ 2,800,000</u>
Issued capital	<u>\$ 2,600,391</u>	<u>\$ 2,600,391</u>

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

(2) Retained earnings and dividends policy

① Dividends policy in the Articles of Incorporation

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

meeting for the distribution of shareholders' dividends.

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

- ②The legal reserve shall be replenished until its balance reaches the total registered capital of the Company. Legal reserves may be used to offset the deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to the capital or distributed in cash.
- ③The Company appropriate funds to and reverses the special reserve in accordance with the requirements of the letters Jin-Guan-Zheng-Fa-Zi No. 1010012865 and Jin-Guan-Zheng-Fa-Zi No. 1010047490 as well as the "Questions and Answers for Special reserve Appropriated Following Adoption of IFRSs." When a deduction in the balance of other shareholders' equity is reversed after that, the earnings may be distributed to the portion reversed.

14. Operating revenue

	2024	2023
Income from sales of goods	\$ 25,677	\$ 62,679
Rental income	49,042	48,881
Income from labor services	12,399	16,157
Other income	795	932
Total	<u>\$ 87,913</u>	<u>\$ 128,649</u>

15. Other income

	<u>2024</u>	<u>2023</u>
Interest income	\$ 7,058	\$ 1,269
Dividend income	58,071	190,282
Other income	<u>683</u>	<u>220</u>
Total	<u>\$ 65,812</u>	<u>\$ 191,771</u>

16. Other gains and losses

	<u>2024</u>	<u>2023</u>
Net exchange gain (loss)	\$ 5,916	\$ (1,591)
Net gain on disposal of property, plant and equipment	52	-
Other losses	<u>(7)</u>	<u>-</u>
Total	<u>\$ 5,961</u>	<u>\$ (1,591)</u>

17. Financial costs

	<u>2024</u>	<u>2023</u>
Interest expense		
Bank borrowings	\$ 17,335	\$ 14,751
Commercial paper	1,789	1,210
Imputed interest on deposit	<u>182</u>	<u>168</u>
Total	<u>\$ 19,306</u>	<u>\$ 16,129</u>

18. Additional information on the nature of expenses

Net income includes the following items:

	<u>2024</u>	<u>2023</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 1,285	\$ 1,394
Depreciation of investment property	5,374	5,447
Amortization of intangible assets	<u>1,458</u>	<u>1,490</u>
Total	<u>\$ 8,117</u>	<u>\$ 8,331</u>

	<u>2024</u>	<u>2023</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 4,663	\$ 4,530
Direct operating expenses of investment property that does not generate rental income	<u>-</u>	<u>-</u>

Total	<u>\$ 4,663</u>	<u>\$ 4,530</u>
R&D expenditures expensed when incurred	<u>\$ 2,372</u>	<u>\$ 3,586</u>
	<u>2024</u>	<u>2023</u>
Employee benefits expense		
Post-employment benefits (Note (VI).12)		
Defined contribution plans	\$ 1,823	\$ 2,303
Defined benefit plan	(10)	(11)
Salaries and bonuses	34,992	41,282
Labor and health insurance expenses	3,840	5,254
Remuneration to directors	808	776
Other employee benefit expenses	<u>1,599</u>	<u>1,679</u>
Total	<u>\$ 43,052</u>	<u>\$ 51,283</u>

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

As of December 31, 2024 and 2023, the Company had no earnings available for distribution, so it did not distribute employee compensation. Disclosure of employee compensation and other information is not applicable to the Company.

19. Income tax

(1) Income tax recognized in profit or loss

The adjustment to current accounting income and income tax expenses is as follows:

	<u>2024</u>	<u>2023</u>
Net profit (loss) before tax	\$ <u>(21,009)</u>	\$ <u>86,352</u>
Income tax expense at the statutory tax rate (20%) for net profit (loss) before tax	\$ (4,202)	\$ 17,270
Tax effects of adjustments:		
Income from tax cessation and exemption	(11,614)	(38,056)
Effects of non-deductible expenses when determining taxable income	19	28
Generation and reversal of temporary differences	12,044	13,851
Loss carryforwards in the current period	<u>3,753</u>	<u>6,907</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

As of December 31, 2024, the Company's losses have not yet been carried forward and the deadlines are as follows:

<u>Balance</u>	<u>Deadline</u>
\$ 294,658 (Assessed)	2025
50,213 (Assessed)	2026
\$ 53,214 (Assessed)	2027
13,959 (Assessed)	2028
33,510 (Assessed)	2029
<u>13,337 (Assessed)</u>	2030
<u>\$ 458,891</u>	

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Loss carryforwards	\$ 415,372	\$ 561,129
Deductible temporary difference	<u>11,576</u>	<u>13,582</u>
Total	<u>\$ 426,948</u>	<u>\$ 574,711</u>

(4) Income tax assessments

The tax authorities have approved the filings of profit-seeking enterprise income tax by the Company up to the year 2020.

20.Earnings per share

	<u>2024</u>	<u>2023</u>
Basic earnings per share	<u>\$ (0.08)</u>	<u>\$ 0.33</u>

The net income and weighted average number of ordinary shares outstanding in calculating basic earnings per share were as follows:

	<u>2024</u>	<u>2023</u>
Net profit (loss) attributable to owners of the Company (NTD thousand)	<u>\$ (21,009)</u>	<u>\$ 86,352</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

21.Non-cash transaction

	<u>2024</u>	<u>2023</u>
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 855	\$ 214
Increase (decrease) in other payables	<u>(477)</u>	<u>553</u>
Pay cash	<u>\$ 378</u>	<u>\$ 767</u>
Acquisition of investment property	\$ 1,985	\$ 1,800
Increase in other payables	<u>(1,800)</u>	<u>-</u>
Pay cash	<u>\$ 185</u>	<u>\$ 1,800</u>

22. Material lease arrangements

As of December 31, 2024 and 2023, the total amount in lease payments that the Company will receive in the future for the lease of investment property under operating leases is as follows:

Summary	2024.12.31	2023.12.31
Less than 1 year	\$ 48,648	\$ 47,877
1-2 years	47,249	47,854
2-3 years	31,230	46,933
3-4 years	27,268	31,173
4-5 years	28,587	27,269
Over 5 years	255,400	283,987
Total	\$ 438,382	\$ 485,093

23. Capital management

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

24. Financial instruments

(1) Information on fair value

① The Company's management believes that the carrying amount in financial instruments that are not measured at fair value is close to their fair value, or their fair value cannot be reliably measured.

② Financial instruments at fair value

Fair value measurements are classified into Level 1 to Level 3 based on the observability of the relevant inputs:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that are available on the measurement date.

- Level 2: Inputs are inputs other than quoted prices included in Level 1 that are observable for an asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs are unobservable inputs for assets or liabilities.

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

		2024.12.31			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI					
Stocks		<u>\$ 3,103,615</u>	<u>\$ -</u>	<u>\$ 7,361</u>	<u>\$ 3,110,976</u>
		2023.12.31			
		Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI					
Stocks		<u>\$ 2,109,953</u>	<u>\$ -</u>	<u>\$ 7,358</u>	<u>\$ 2,117,311</u>

There were no transfers between Levels 1 and 2 in 2024 and 2023.

The Company did not acquire or dispose of financial assets at Level 3 fair value in both 2024 and 2023.

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

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

(2) Categories of financial instruments

Financial asset	2024.12.31	2023.12.31
Financial assets at FVTOCI	\$ 3,110,976	\$ 2,117,311
Financial assets at amortized cost (Note 1)	247,671	270,538
Total	<u>\$ 3,358,647</u>	<u>\$ 2,387,849</u>

Financial liability	2024.12.31	2023.12.31
Financial liabilities at amortized cost (Note 2)	\$ 1,176,361	\$ 949,122

Note 1: Including cash and cash equivalents, financial assets measured at amortized cost, trade receivables, other receivables, and guarantee deposits paid.

Note 2: Including short-term borrowings, short-term bills payable, accounts payable, other payables, other current liabilities, and guarantee deposits received.

(3) Financial risk management objective and policies

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

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

(4) Market risk

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

① Foreign exchange rate risk

The Company's exchange rate risk mainly comes from foreign currency time deposits. The Company estimates the appreciation of the US dollar to determine the timing of selling, with reference to the estimated exchange rate trend reports of the financial industry.

The information and sensitivity analysis of the Company's assets and liabilities denominated in non-functional currencies with significant exchange rate fluctuations at the balance sheet date are as follows:

Unit: Each in foreign currency thousand/NTD thousand

December 31, 2024						
<u>Financial asset</u> <u>Monetary items</u>	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Range of change	Impact on profit and loss	Impact on equity
				USD	3,145	32.785

December 31, 2023						
<u>Financial asset</u> <u>Monetary items</u>	Foreign currency	Exchange rate	Carrying amount (NTD)	Sensitivity analysis		
				Range of change	Impact on profit and loss	Impact on equity
				USD	2,013	30.705

The sensitivity analysis includes only monetary items denominated in foreign currencies in circulation at the balance sheet date, and the year-end translation is adjusted based on a 10% change in exchange rates.

② Interest rate risk

The Company's interest rate risk arises from short-term borrowings with floating interest rates. The Company maintains an appropriate fixed and floating rate for portfolio and also negotiates interest rate with correspondent banks irregularly in order to manage interest rate risk. Accordingly, no derivate financial instruments are used to manage the interest rate risk.

The sensitivity analysis of interest rate risk is based on the assumption that the amount of liabilities outstanding at the balance sheet date is outstanding throughout the period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Company's net loss for 2024 will increase/decrease by NT\$2,875 thousand and the Company's net profit for 2023 will respectively decrease /increase by NT\$2,295 thousand.

③Other price risks

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

If the equity price increases/decreases by 5%, the Company's other comprehensive income for 2024 and 2023 will increase/decrease by NT\$155,549 thousands and NT\$105,866 thousands due to changes in the fair value of financial assets at FVTOCI.

(5) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in the Company's financial loss. The Company's credit risk mainly arises from receivables from operating activities, bank deposits from investing activities, fixed-income investments, and other financial instruments. Operation-related credit risks and financial credit risks are managed separately.

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

①Credit risk related to operations

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

As of December 31, 2024 and 2023, the top three customers accounted for 96.54% and 96.81% of the Company's balance of trade receivables.

②Financial credit risk

The credit risk arising from bank deposits, fixed-income investments, and other financial instruments is measured and monitored by the financial department. As the Company's transaction and contract counterparties are

creditworthy banks and financial institutions with stable ratings, there are no material concerns about default, so there is no material credit risk.

(6) Liquidity risk management

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

Bank loans are an important source of liquidity for the Company. As of December 31, 2024 and 2023, the Company's undrawn financing facilities of bank loans and bills companies were NT\$1,000,000 thousand and NT\$972,000 thousand, respectively.

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

	December 31, 2024				Total
	Less than 30 days	31-60 days	61-90 days	Over 90 days	
Non-derivative financial liabilities					
Short-term borrowings	\$ 150,000	\$ 250,000	\$ 750,000	\$ -	\$ 1,150,000
Accounts payable	1,720	1,443	-	26	3,189
Other payables	4,845	3,464	-	3,285	11,594
Other current liabilities	-	140	-	-	140
Guarantee deposit received	-	-	-	11,438	11,438
	<u>\$ 156,565</u>	<u>\$ 255,047</u>	<u>\$ 750,000</u>	<u>\$ 14,749</u>	<u>\$ 1,176,361</u>

	December 31, 2023				
	Less than 30 days	31–60 days	61–90 days	Over 90 days	Total
Non-derivative financial liabilities					
Short-term borrowings	\$ 150,000	\$ -	\$ 650,000	\$ -	\$ 800,000
Short-term bills payable	118,000	-	-	-	118,000
Accounts payable	5,518	3,408	-	13	8,939
Other payables	3,096	4,851	-	2,703	10,650
Other current liabilities	-	161	-	-	161
Guarantee deposit received	-	-	-	11,378	11,378
	<u>\$ 276,614</u>	<u>\$ 8,420</u>	<u>\$ 650,000</u>	<u>\$ 14,094</u>	<u>\$ 949,128</u>

(VII) Related party transaction

1. Name and relationship

<u>Related Party Name</u>	<u>Relationship with the Company</u>
Sunshine Shihlin Development Co., Ltd.	Subsidiary
Shihlin Environment Corporation	Subsidiary
Sunnyfield Shihlin Co., Ltd.	Subsidiary
Taian Insurance Co, Ltd.	Substantive related party
Asia Pacific Logistics International Co., Ltd.	Substantive related party

2. Business transaction

	2024				
	Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin Co., Ltd.	\$ 38,868	\$ 8	\$ 4,326	\$ 43	\$ -
Subsidiary	-	-	6	24	1
Other related parties	-	-	44	272	3

		2023				
		Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin Co., Ltd.	\$	79,768	\$ 202	\$ 12,642	\$ 80	\$ -
Subsidiary		-	-	7	101	-
Other related parties		-	-	90	273	4
		2024.12.31				
		Trade receivable	Other receivables	Prepayments	Accounts payable	Other payables
Sunnyfield Shihlin Co., Ltd.	\$	6,748	\$ -	\$ -	\$ 3	\$ 781
Other related parties		-	-	37	-	-
		2023.12.31				
		Trade receivable	Other receivables	Prepayments	Accounts payable	Other payables
Sunnyfield Shihlin Co., Ltd.	\$	13,608	\$ -	\$ -	\$ -	1,979
Sunshine Shihlin Subsidiary		-	7,100	-	-	-
Other related parties		-	8	-	-	-
		-	-	38	-	-

3. Financing status

		2024				Total interest income for the current period
		Maximum amount	Ending balance	Amount in provision of allowance for losses	Interest Rate	
Shihlin Environment	300,00	\$ 0	\$ -	\$ -	1.80%~ 1.96%	\$ 924
		2023				Total interest income for the current period
		Maximum amount	Ending balance	Amount in provision of allowance for losses	Interest Rate	
Shihlin Environment	\$ 22,350	\$ 22,350	\$ -	\$ -	1.838%~ 1.868%	\$ 27

For transactions between the Company and its related parties, except that the subsidiary Sunshine Shihlin Development Co., Ltd. provides part of its factory for the Company's use free of charge, the rest of the transaction prices and terms of receipt and payment are not significantly different from those of non-related parties.

4. The agricultural land is temporarily registered as the ownership of the related party.

Please refer to Note (VI) 8 for the preservation measures.

5. Remuneration to key management personnel

	2024	2023
Short-term benefits	\$ 3,052	\$ 2,617
Post-employment benefits	121	101
	<u>\$ 3,173</u>	<u>\$ 2,718</u>

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

(VIII) Assets pledged

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

	<u>2024.12.31</u>	<u>2023.12.31</u>
Property, plant and equipment:		
Land	\$ 2,286	\$ 2,286
Investment property:		
Land	29,322	29,322
Building	14,940	19,069
	<u>44,262</u>	<u>48,391</u>
Total	<u>\$ 46,548</u>	<u>\$ 50,677</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2024 and 2023, the amount of guaranteed notes issued by the Company for bank borrowings was NT\$1,800,000 thousand and NT\$1,690,000 thousand for these two dates.
2. As of December 31, 2024 and 2023, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. the company bank borrowings was NT\$800,000 thousand. The amount drawn was NT\$300,000 thousand.
3. As of December 31, 2024, for the outsourcing construction contracts signed by the Company, the contract total amount was NT\$25,547 thousands, among which the construction amount already paid was NT\$3,682 thousands.

(X) Material disaster losses: None.

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

(XII) Others: None.

(XIII) Additional Disclosures

1. Information on significant transactions
 - (1) Financing provided to others: See Table 1.
 - (2) Endorsements/ guarantees provided. See Table 2.
 - (3) Marketable securities held at year-end (excluding investment in subsidiaries, associates, and joint venture equity): See Table 3.
 - (4) Marketable securities acquired and disposed at costs or prices at least

NT\$300 million or 20% of the paid-in capital: None.

- (5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- (6) Disposal of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None.
- (7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None.
- (9) Trading in derivative instruments: None.

2. Information on investees: See Table 4.

3. Information on investments in mainland China: None.

4. Information on major shareholders: Refer to Table 5.

(XIV) Segments Information

The Company has disclosed relevant segment information in the consolidated financial statements in accordance with regulations.

Shihlin Paper Co., Ltd.
Financing provided to others
2024

Table 1

Unit: NTD thousand

No.	Lender	Borrower	Business relationship	Whether it is a related party	Maximum balance for the current period	Ending balance	Transaction Amounts	Interest Rate (%)	Nature of financing provided	Business Transaction Amounts	Reason for the necessity of short-term financing	Amount in provision of allowance for losses	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Other receivables	Yes	\$300,000	\$300,000	\$ -	1.80%~1.96%	Need for short-term financing	-	Operating capital	-	-	-	\$1,054,864	\$2,109,729

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

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

Shihlin Paper Co., Ltd. and its Subsidiaries
Endorsement/ guarantee provided
2024

Table 2

Unit: NTD thousand

No.	Name of endorser/ guarantor	Guaranteed Party		Limit of endorsement/ guarantee for a single enterprise	Maximum balance of endorsements / guarantees for the current period	Balance of endorsements / guarantees at year-end	Transaction Amounts	Amount in endorsement/ guarantee secured by assets	Ratio of Accumulated Endorsement/ Guarantee to Net Equity of the Latest Financial Statement	Limit of endorsement/ guarantee (Note 2)	Endorsement/ guarantee provided by a parent company to subsidiary	Endorsement/ guarantee provided by a subsidiary to parent company	Endorsement / guarantee provided to entity in mainland China
		Company name	Relationship (Note 1)										
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	1	\$2,600,391 (Note 2)	\$800,000	\$800,000	\$300,000	-	15.17%	\$5,200,782 (Note 2)	Y	-	-
1	Sunshine Shihlin Development Co., Ltd.	Shihlin Environment Corporation	2	\$2,001,000 (Note 3)	\$553,000	\$553,000	\$553,000	\$553,000	22.08%	\$30,015,000 (Note 3)	-	-	-

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

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

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

1. The party endorsed/guaranteed is a subsidiary that the Company directly or indirectly holds at least 90% of its ordinary shares, so it is limited to not more than 1x of the Company's paid-in capital and the remainder shall not exceed 10% of the paid-in capital.
2. The total amount in the Company's endorsement/guarantee provided to external parties is limited to no more than twice the Company's paid-in capital.
3. The total amount of endorsement and guarantee by the Company and its subsidiaries as a whole and the amount of endorsement and guarantee to a single enterprise shall not exceed 12 times the Company's paid-in capital.

Note 3: The calculation method of the amount to the individual party and the total amount of the endorsement and guarantee of the subsidiary, Sunshine Shihlin Development Co., Ltd., is as follows:

1. For companies which directly or indirectly holds 100% of the voting shares of the Company, the Company may endorse a guarantee for companies in which the aforementioned companies directly or indirectly hold 100% of the voting shares up to double the amount of paid-in capital.
2. The total amount of external endorsement and guarantee shall not exceed 15 times the paid-in capital.

Shihlin Paper Co., Ltd. and its Subsidiaries

Marketable Securities Held at Year-End (excluding investment in subsidiaries, associates, and joint venture equity)

December 31, 2024

Table 3

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	End of the year			
				Shares/Units	Carrying amount	Shareholding percentage	Fair value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	Financial assets at FVTOCI - current	37,887,724	3,072,694	1.35%	3,072,694
	Stocks of KGI Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	114,445	1,969	0.00%	1,969
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - current	286,906	7,775	0.00%	7,775
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - current	104,261	1,376	0.00%	1,376
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - current	184,466	12,599	0.00%	12,599
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - current	69,508	1,182	0.01%	1,182
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - current	400,000	6,020	0.03%	6,020
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - non-current	3,330	7,361	4.17%	7,361
Sunshine Shihlin Development Co., Ltd.	Shares of Tamshui First Credit Bank	-	Financial Assets at FVTOCI - non-current	20	2	0.00%	2
Shihlin Environment Corporation	Fuh Hwa Money Market	-	Financial assets at FVTPL - current	9,214,766.8	138,108	-	138,108

Note: Refer to Table 4 for the information on subsidiaries, associates, and joint venture equity.

Shihlin Paper Co., Ltd. and its Subsidiaries
Information on Investees (Name and Location)

2024

Table 4

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		Shares held at year-end			Profit or loss on investee for the current period	Profit or loss on investment recognized	Remarks
				End of the period	End of Last Year	Shares	Ratio	Carrying amount			
Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Taipei City	Investment and development	415,075	115,075	41,500,000	100.00	423,830	329	329	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419 (Note 1)	3,806,419	200,100,000	100.00	2,504,408	(56,472)	(56,472)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	300,000	30,000,000	100.00	41,463	(11,047)	(11,047)	
Sunshine Shihlin Development Co., Ltd.	Da Di Urban Renewal Construction Co., Ltd.	Taipei City	Urban renewal and reconstruction	1,000	1,000	100,000	100.00	102	-	-	(Note 2)

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

Note 2: It has closed business since January 1, 2022.

Shihlin Paper Co., Ltd.
Information on main investors
December 31, 2024

Table 5

Name of major shareholder	Shares	Number of shares held	Shareholding percentage
Wan Hai Charitable Foundation		18,150,259	6.97%
Tai Chuan Investment Co., Ltd.		17,986,525	6.91%
Yeong Yi Asia Corp.		16,521,434	6.35%

Note 1: This table is based on the information on shareholders holding at least 5% of the Company's ordinary shares and preference shares (including treasury shares) with dematerialized registration and delivery completed on the last business day at the end of each quarter.

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

Shihlin Paper Co., Ltd.

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Statement of Changes in Property, Plant and Equipment	Statement 6
Statement of Changes in Investment Property	Note (VI). 7
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Table of Employee Benefits, Depreciation, Depletion, and amortization expense by Function for the Current Period	Note (VI). 15 Statement 13

Shihlin Paper Co., Ltd.
Statement of Cash and Cash Equivalents
December 31, 2024

Statement 1

Expressed in Thousands of New Taiwan
Dollars, Unless Otherwise Specified

Item	Amount
Cash on hand	\$ 105
Cash in banks	
Check deposit	1
Demand deposit	11,315
Foreign currency demand deposits (Note 1)	515
Cash equivalents	
Time deposit	84,000
Foreign currency time deposit (Note 2)	102,617
Total	\$ 198,553

Note 1: The foreign currency deposits were include the USD \$15 thousand and JPY \$46 thousand, translated at the exchange rates of US\$1=NT\$32.785 and JPY\$1=NT\$0.2099, respectively.

Note 2: It is a USD deposit of NT\$3,130 thousand, translated at the exchange rate of US\$1 = NT\$32.785.

Shihlin Paper Co., Ltd.

Statement of Financial Assets at FVTOCI - current

December 31, 2024

Statement 2

Unit: NTD thousand except for unit price and par value, which is NTD)

Name of financial instruments	Shares	Par value	Total	Acquisition costs	Fair value		Pledge
					Unit price (NTD)	Total	
Stocks:							
Wan Hai Lines Ltd.	37,887,724	10	\$ 378,877	\$ 516,412	81.10	\$ 3,072,694	None
KGI Financial Holding Co., Ltd.	114,445	10	1,144	1,144	17.20	1,969	None
First Financial Holding Co., Ltd.	286,906	10	2,869	11,975	27.10	7,775	None
Far Eastern International Bank Co., Ltd.	104,261	10	1,043	798	13.20	1,376	None
Cathay Financial Holdings Co., Ltd.	184,466	10	1,845	13,760	68.30	12,599	None
Chia Hsin Cement Corporation	69,508	10	695	1,156	17.00	1,182	None
China Bills Finance Corporation	400,000	10	4,000	4,649	15.05	6,020	None
Total			<u>\$ 390,473</u>	<u>\$ 549,894</u>		<u>\$ 3,103,615</u>	

Shihlin Paper Co., Ltd.
Statement of Trade Receivable
December 31, 2024

Statement 3

Expressed in Thousands of New Taiwan Dollars

<u>Customer Name</u>	<u>Amount</u>
Fengtien Logistics Co., Ltd.	\$ 34,604
Sunnyfield Shihlin Co., Ltd.	6,748
Yue Ye Motors Corporation	4,228
Others (each customer's amount is less than NT\$2,361 thousand)	<u>1,632</u>
Net accounts receivable	<u><u>\$ 47,212</u></u>

Shihlin Paper Co., Ltd.
Statement of Inventories
December 31, 2024

Statement 4

Expressed in Thousands of New Taiwan Dollars

Item	Amount	
	Cost	Net realizable value
Raw materials	\$ 1,020	\$ 772

Shihlin Paper Co., Ltd.

Statement of Changes in Financial Assets at FVTOCI - non-current

2024

Statement 5

Expressed in Thousands of New Taiwan Dollars

Name of financial instruments	Opening balance		Increase for the current period		Decrease for the current period		Valuation amount (Note)	End of the year		Guarantee/Pledge
	Shares	Fair value	Shares	Amount	Shares	Amount	Amount	Shares	Fair value	
Taiwan Felt Co., Ltd.	3,330	<u>\$ 7,358</u>	-	<u>\$ -</u>	-	<u>\$ -</u>	<u>\$ 3</u>	3,330	<u>\$ 7,361</u>	None

Note: Unrealized gains (losses) from investments in equity instruments at FVTOCI are recognized.

Shihlin Paper Co., Ltd.

Statement of Changes in Investment under Equity Method

2024

Statement 6

Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified

Name	Beginning retained earnings		Increase for the current period		Decrease for the current period		Profit or loss on investment recognized using the equity method	Unrealized sales profits	Ending balance			Net equity		Guarantee/Pledge
	Shares (thousands)	Amount	Shares (thousands)	Amount	Shares (thousands)	Amount			Amount	Amount	Shares (thousands)	Shareholding Ratio (%)	Amount	
Shihlin Environment Corporation	11,500	\$ 123,576	30,000	\$ 300,000	-	\$ (75)	\$ 329	\$ -	41,500	100%	\$ 423,830	-	\$ 423,830	None
							(Note)							
Sunshine Shihlin Development	200,100	2,560,880	-	-	-	-	(56,472)	-	200,100	100%	2,504,408	-	2,504,408	None
Sunnyfield Shihlin Co., Ltd.	30,000	52,347	-	-	-	-	(11,047)	163	30,000	100%	41,463	-	42,732	None
		<u>\$2,736,803</u>		<u>\$ 300,000</u>		<u>\$ (75)</u>	<u>\$ (67,190)</u>	<u>\$ 163</u>			<u>\$2,969,701</u>		<u>\$2,970,970</u>	

Note: They are cash dividends allocated.

Shihlin Paper Co., Ltd.
Statement of Short-term Borrowings
December 31, 2024

Statement 7

Expressed in Thousands of New Taiwan Dollars

Creditors	Type of borrowings	Ending balance	Contract period	Interest rate range (%)	Financing facilities	Pledge/ guarantee
Bank of Taiwan Shin Kong Commercial Bank	Secured borrowings	\$ 550,000	2024/12/04 - 2025/03/04	1.960%	NT\$550,000 thousands	Land and factory in Yongan
Co., Ltd. Chang Hwa Commercial Bank, Ltd.	Credit loans	150,000	2024/12/26 - 2025/02/26	2.020%	NT\$150,000 thousands	
Entie Commercial Bank	Credit loans	200,000	2024/12/27 - 2025/03/27	1.875%	NT\$200,000 thousands	
Taipei Star Bank	Credit loans	150,000	2024/12/27 - 2025/01/24	1.951%	NT\$150,000 thousands	
		100,000	2024/09/05 - 2025/02/20	1.850%	NT\$100,000 thousands	
		<u>\$ 1,150,000</u>				

Shihlin Paper Co., Ltd.
Statement of Accounts Payable
December 31, 2024

Statement 8

Expressed in Thousands of New Taiwan
Dollars

<u>Supplier name</u>	<u>Amount</u>
Web-Pro Corporation	\$ 2,500
Welson Li Co., Ltd.	404
Stellar Beauty Biotech Co., Ltd.	259
Others (each amount is less than NT\$159 thousands)	<u>26</u>
Total	<u><u>\$ 3,189</u></u>

Shihlin Paper Co., Ltd.
Statement of Other Payables
December 31, 2024

Statement 9

Expressed in Thousands of New Taiwan
Dollars

Item	Summary	Amount
Salary payable	Year-end bonus, payment in lieu of special leave, etc.	\$ 4,120
Construction payables	Construction payment	1,800
Tax payable	House tax, business tax, etc.	1,762
Others (each amount is less than NT\$1,159 thousands)	Advertising expenses, etc.	<u>3,912</u>
Total		<u><u>\$ 11,594</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating Revenue
2024

Statement 10

Expressed in Thousands of New Taiwan Dollars

Item	Unit	Quantity	Amount
Wet wipes	Carton	43,467	\$ 14,385
Anti-epidemic products	Box/bottle	3,792	627
Facial masks	Pieces	402,263	6,844
Toiletry collection	Bottle/set	23,155	1,710
Anti-mosquito collection	Bottle/set	2,881	939
Skincare products	Bottles	117,344	1,678
Others		1,295	<u>7</u>
Subtotal			26,190
Sales returns and discounts) (513)
Net income from sales of goods			25,677
Rental income			49,042
Income from labor services			12,399
Other operating revenue			<u>795</u>
Net operating income			<u><u>\$ 87,913</u></u>

Shihlin Paper Co., Ltd.
Statement of Operating Costs

2024

Statement 11

Expressed in Thousands of New Taiwan Dollars

Item	Amount	
	Subtotal	Total
Raw material consumption cost:		
Raw material consumption	\$	148
Inventory, at the beginning of the year	\$ 631	
Add: Purchase of raw materials for the current period	1,931	
Less: Transferred to merchandise	(1,642)	
Inventory at the end of year	(772)	
Subtotal		148
Cost of purchased goods sold		24,465
Goods, at the beginning of the year	1	
Add: Purchase of goods for the current period	23,097	
Raw materials transferred in	1,642	
Transferred to others:	(275)	
Cost of sales		24,613
Cost of rental sales		10,178
Total	\$	34,791

Shihlin Paper Co., Ltd.
Statement of Operating Expenses
2024

Statement 12

Expressed in Thousands of New Taiwan Dollars

<u>Item</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>R&D expenses</u>	<u>Total</u>
Salary	\$ 15,172	\$ 19,752	\$ 1,881	\$ 36,805
Advertising expense	4,308	38	-	4,346
Other expenses (Note)	<u>3,645</u>	<u>14,284</u>	<u>491</u>	<u>18,420</u>
Total	<u>\$ 23,125</u>	<u>\$ 34,074</u>	<u>\$ 2,372</u>	<u>\$ 59,571</u>

(Note) The amount in each item does not exceed 10% of the amount in each account.

Shihlin Paper Co., Ltd.

Table of Employee Benefits, Depreciation, Depletion, and amortization expense by
Function for the Current Period

For the Years Ended December 31, 2024 and 2023

Statement 13

Expressed in Thousands of New Taiwan Dollars

	2024			2023		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits expense						
Salary expense	\$ -	\$ 34,992	\$ 34,992	\$ -	\$ 41,282	\$ 41,282
Labor and health insurance expenses	-	3,840	3,840	-	5,254	5,254
Pension expense	-	1,813	1,813	-	2,292	2,292
Remuneration to directors	-	808	808	-	776	776
Other employee benefit expenses	-	1,599	1,599	-	1,679	1,679
Depreciation expense	5,374	1,285	6,659	5,447	1,394	6,841
Amortization expense	-	1,458	1,458	-	1,490	1,490

Note:

1. The number of employees for this year and the previous year are 57 and 67, respectively. Among them, the number of directors who do not serve as employees concurrently are 7 and 6, respectively.
2. The average employee benefits expense for the current year is NT\$845 thousand, and that for the previous year was NT\$828 thousand.
3. The average employee salary expense for the current year is NT\$700 thousand, that for the previous year was NT\$677 thousand, and the average employee salary expense increased by 3.40%.
4. The Company does not have any supervisor and there is no supervisor remuneration paid.
5. Salary and remuneration policy

- (1) The Company does not pay remuneration to directors, but only business execution fees.
- (2) The remuneration policy for the Company's President, Vice Presidents, and managers of equivalent positions is based on the Company's business strategy, profitability, personal performance and contribution, etc., while with reference to the salary standards in the market. After review by the Remuneration Committee, it will be implemented after approval by the board of directors.
- (3) The salary and remuneration policy for employees is based on their education and work experience, professional knowledge and skills, years of occupational experience, and personal performance. The overall salary and remuneration mainly include three parts: basic salary, operating/personal performance bonus, and benefits. As for the remuneration standard, the basic salary is based on the competition situation of the position held by each employee and the Company's policy. The operating performance bonus and the employee's personal performance bonus are linked to achieving the employee's personal targets and department targets or the Company operating performance. Regarding benefits, the Company has designed the benefit measures that employees can share on the premise of complying with the provisions of the law and taking into account each employee's needs.