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Shihlin Paper Co., Ltd.
SHIHLIN PAPER CORP.

2022 Annual Report

Notice to readers

For the convenience of readers and for information purposes only, the annual report has been translated into English from the original Chinese-language version prepared and used in the Republic of China. In the event of any discrepancy between the English and Chinese versions, or if there are any differences in interpretation between the two versions, the original Chinese version shall prevail.

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No. 31, Fude Rd., Shilin Dist., Taipei City
Telephone: (02)2881-1111 (main line)
Fax: (02)2882-7099 (02) 2882-3007
Website: www.shihlin.com.tw

No. 1631, Section 2, Wenhua Road, Bengang Village, Xinwu District, Taoyuan City
Tel: (03)476-8077
Fax: (03)476-9120
Website: www.shihlin.com.tw

Name of stock transfer agency: KGI Securities Co., Ltd.
Address: 5F, No. 2, Section 1, Chongqing South Road, Taipei City
Tel: (02)2314-8800 (02)2389-2999
Fax: (02)2389-6042
Website: www.kgi.com.tw

Spokesperson of the Company: Cheng-Che Tsai
Title: President
Tel: (02)2881-1111
Acting Spokesperson of the Company: Wen-Chung Hung
Title: Vice Manager of Planning Office
Tel: (02) 2881-1111 ext. 231
Email: hwc@shihlin.com.tw

Attesting CPAs for 2022 financial statements
Name: Yu-Ling Hung and Min-Chih Cho
CPA firm: Earnest & Co., CPAs.
Address: 4F, No. 501, Section 2, Tiding Blvd., Neihu District, Taipei City
Tel: (02)8751-9698
Fax: (02)8751-5658
Website: None

Name of Any Exchanges Where the Company's Securities are Traded Offshore and Information:
None

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One. Letter to Shareholders

Dear Shareholders,

We welcome you to attend this year's shareholders' meeting, and we would like to express our great gratitude for your long-term support of Shihlin Paper. We would like to report on the status of the Company's operations below:

I. 2022 Business Report

(I) Focus on the consumer goods market

1. Baby Lion

- (1) The Company is currently dedicated to the consumer market. In response to the gradual increase in the utilization rate of wet wipes in the overall market, the Company has spared no effort to develop the Baby Lion products since 2022. In addition to the existing Baby Lion wet wipes, it has launched an anti-mosquito series and a baby washes series to expand its market share. In response to the pandemic, Baby Lion produces anti-pandemic protection products to protect the health of your family. We have entered the department store channel to enhance the depth of our brand, and we maintain our consistent high quality that is well recognized by consumers.
- (2) The Company's organization is adjusted, and performance is growing continuously and steadily while personnel training will be strengthened to increase the overall market share. The professional R&D team will also continue to develop more innovative extension products with high production value to meet market needs.

2. Forest Beauty

- (1) The Company is currently dedicated to the consumer market. In response to the high usage rate of the facial masks, the Company spared no effort to develop the Forest Beauty facial mask products in 2022. In addition to the Forest Nut collection, we have developed a series of facial masks using Taiwanese tea leaves with natural plant extracts to enrich our product line and professionalism gradually. The skincare products, including the new products of Forest Fruit series pomegranate polyphenol skincare product, the Forest Beauty 14-day Renew series, and the high-end new skincare products of Micro-gold Superconducting royal jelly peptide series are sold in major department stores and shopping malls across the country, and expanded to the international market. In 2022, due to the COVID-19 pandemic and the post-pandemic era at the later stage, Forest Beauty released essential oil facial masks suitable to the body and mind, allowing consumers to experience relaxation during home care. As for the expansion to the international market, the Company participated in the online beauty exhibition organized by the Taiwan External Trade Development Council of the Republic of China. The agency business of brands and the OEM business has continued to grow with increasing business

opportunities. With the concept of safe, effective, and harmless natural plant extracts, the brand Forest Beauty has gradually expanded its market share. In addition, the Company also maintains high-quality products consistently, thereby receiving great recognition from consumers.

- (2) The Company's organization is adjusted and performance is growing continuously and steadily while personnel training will be strengthened to enhance their professional image. Their communication with distributors or customers is excellent and professional. The R&D team will also continue to develop more innovative and extension products (skincare products) with high production value to meet market demand and to continue to expand market share and increase brand awareness.

(II) Consolidated financial receipt and expenditure and profitability in 2022

Unit: NT\$ thousand

Consolidated Statement of Comprehensive Income	2022	2021	Change (%)
Net operating income	165,058	326,024	(49.37)
Gross operating profit	76,145	176,501	(56.86)
Net operating loss	(103,224)	(26,559)	288.66
Net profit (loss) after tax	211,780	84,249	151.37

II. Overview of 2023 Business Plan

(I) Baby Lion

1. The Company's operating policy this year will focus on the replacement of the production-oriented approach with a marketing-oriented one to continue to develop products that meet market demand, expand market share, and improve operating performance.
2. In response to the strict requirements for products and the growth of the adult market in the era of declining birthrates, the Company will extend product categories and increase the product mix in line with the market demand, actively expand distribution channels, and expand the scale for sales.
3. In addition to maintaining existing customers, the Company will use marketing resources, such as promotions and media advertisements, to integrate virtual and physical channels for products and launch products in major physical entities and online shopping platforms to expand its market share and increase profits.

(II) Forest Beauty

1. The Company's operating policy for this year will focus on the expansion of the market with a sales- and marketing-orientated approach to continue to develop distribution channels suited for facial masks and skincare products market, and the Company will also work to promote brand awareness and product visibility through marketing to increase the operating performance.
2. Products that emphasized cost-effectiveness in line with consumers' habits in the early days had resulted in astonishingly high sales performance. However, affordable products without high quality would cause skin discomfort, which has led to a change in demand and consumption structure. Forest Beauty aims to satisfy the demand for high CV value and provides products of high quality at affordable prices in the market, thereby driving the facial mask market revolution and promoting consumers to choose products suitable to their skin, regardless of the price, such that the actual benefits of safety, effectiveness, and harmlessness can be achieved.
3. In addition to maintaining existing customers, the Company will use marketing resources, such as promotions and media advertisements, to integrate virtual and physical channels for products and launch products in major physical entities and online shopping platforms to expand its market share and increase profits. The Company will continue to develop the distribution channels in department stores this year to develop the high-end customer base!

III. Future development strategies of the Company

(I) Short-term business development plans

1. Sales strategy
 - (1) Develop new channels based on product positioning, and formulate marketing strategies based on product and channel differentiation.
 - (2) Revitalize the brand's image, keep abreast of consumer needs, and innovate and copy successful models to launch new products.
 - (3) Actively develop overseas markets and new businesses, and ensure sustainable operation by diversifying operations and revitalizing assets.
2. Marketing and R&D strategy
 - (1) Keep abreast of the market trends and develop differentiated and customized products to facilitate new product development and successful launch.
 - (2) Work closely with academic and research and development units, actually, participate in the government's relevant unit's new product research and development projects, and actively apply for patents to ensure the Company's rights and interests while expanding the scale of new product development.
3. OEM strategy
 - (1) Strictly monitor and inspect the operating procedures to strengthen and improve product

quality.

- (2) Require manufacturers to cooperate with equipment maintenance and improvement and to upgrade process technology to achieve the differentiated value of new products.

(II) Mid- and long-term business development plans

1. Master the win-win core technologies and continuously improve product quality to enhance competitive advantage.
2. Use diversified marketing strategies to promote a diversified product mix to increase market share.
3. Actively expand domestic and foreign sales markets, establish an international brand image, and become the most favored and reliable enterprise and a well-known brand.

Baby Lion:

Extended the product lines to the anti-mosquito series, anti-pandemic series, and baby washes products, building on the wet wipes collection, to provide safer and more reliable products for infants and young children, so that consumers can have better choices.

Forest Beauty:

Develop a series of facial care products based on facial masks to provide female consumers to meet their demand for naturality, safety, beauty, and health in all aspects, and to share the pie in the female skincare market.

IV. External competition environment

(I) Baby Lion

1. The sales region of the Company's main products is mainly in the domestic market, divided into three areas: northern (New Taipei, Taipei Cities, Taoyuan, Hsinchu, and Miaoli), central, and southern Taiwan, and the Company plans to step into the Asian market.
2. Future supply and demand status and growth: According to the statistics from professional market surveys and research institutions, the wet wipes market continues to grow, with affordable and pure water products as the mainstream. The Company will plan various functional products according to different consumer groups, and develop natural products and ones with patented formulas to achieve diversification and market segmentation to improve performance.
3. Future supply-demand response: Seek more domestic and foreign professional OEMs to respond to future market demand.
4. Favorable and unfavorable factors of development prospects:
 - (1) Favorable factors: Domestic and foreign professional OEMs have better product technology capabilities and positive competitive advantages in innovative manufacturing processes, which make the development of product collections more complete than the

competitors in the same industry so as to keep pace with major domestic businesses.

- (2) Unfavorable factors: Due to the limited demand in the domestic consumer goods market because of many brands and sufficient resources in the market, the Company can only adopt marketing strategies to attract consumers and expand market share.

(II) Forest Beauty

1. The sales region of Forest Beauty is mainly in the domestic market, divided into three areas: Northern, central, and southern Taiwan and the Company plans to step into the global market while based in Taiwan.
2. Future supply and demand status and growth: According to the statistics from professional market surveys and research institutions and actual sales of distribution channels, the mask market continues to grow, and the concept of natural plant extracts also makes consumers feel assured and recognize the concept. The Company will plan various functional products according to different consumer groups, and continue to develop natural products, facial masks, and skincare products with unique patented formulas and diversified functions to increase market share and performance.
3. Future supply-demand response: Seek more domestic and foreign professional OEMs to respond to future market demand.
4. Favorable and unfavorable factors of development prospects:
 - (1) Favorable factors: Domestic and foreign professional OEMs have better product technology capabilities and positive competitive advantages in innovative manufacturing processes, which make the development of product collections more complete than the competitors in the same industry so as to keep pace with major domestic businesses.
 - (2) Unfavorable factors: Due to the limited demand in the domestic consumer goods market, the competition among brands is fierce. After acquiring a certain degree of market popularity and market share, the Company will step up the pace of entering overseas markets to become an international brand in the future.

V. Impacts of the regulatory environment and the overall business environment

- (I) All products are tested and qualified in compliance with relevant laws and regulations to provide consumers with the highest quality.
- (II) In recent years, the Company has continued to develop innovative products with high production value, while strengthening R&D and marketing capabilities, and cultivating talents is also a key development strategy for the Company in the future.
- (III) In the future, the Company will continue to uphold a pragmatic spirit, strive to take on challenges at all stages, and work hard to operate the consumer product market so as to achieve goals as planned while fulfilling social responsibilities to create greater profits and best benefits for shareholders and all employees.

I. 2022 Business Results

- (I) Change of the category of the old Shihlin Paper Mill land
The land development project of Shihlin Paper Mill was carried out in accordance with the “Taipei City Shihlin District Urban Plan Overall Review (Detailed Program) (Phase I) Program” announced into force by the Taipei City Government on March 23, 2021, and the status of historical building approved by the “140th Taipei City Cultural Assets Review Committee” on September 27, 2021. It is intended that after the project, there will be park donations, urban renewal development procedures, and historical building development and reuse projects to achieve the goals of improving investment efficiency, regional co-prosperity, and shaping the urban environment.
- (II) The city government approved the Warehouse No. 5 Hotel urban renewal development project on October 30, 2019, for implementation with the work at the current stage completed. The construction license was obtained on April 9, 2020, and the sample survey was completed in October 2021 for construction. The grouting construction of the B1 floor has been completed by the end of 2022.
- (III) In terms of the joint construction project on the corner of Fude Road (Yinxu Community), The sale of the last 70 pings on the seventh floor of the building was completed in 2021 and the project was closed.
- (IV) The original dormitory building (Paper Sun Apartment) was previously outsourced to an agency to operate it as a rental condo. It completed its registration as a hotel in March 2017 and changed its name to “Sunshine Shihlin Paper Sun Hotel.” In 2020, due to the impact of the global COVID-19 pandemic, the hotel transformed into a quarantine hotel in December 2020 and continued to operate as a quarantine hotel in 2021. For 2022, according to the government’s 921 earthquake new regulatory requirements, structural reinforcement was performed for a period of 9 months, and the interior renovation construction was also completed. As the hotel transformed back to its regular hotel operation, an additional Cafe/Bistro was further opened and included in the operation of the hotel.
- (V) The Company has completed the signing of a joint construction contract for the land at No. 669-3 and 669-15, Guanghua Subsection 2, with a parcel of neighboring land, which has been included in the land reconstruction program (reconstruction program for unsafe and old buildings) on December 25, 2020, and the construction license was obtained during 2022 Q1.
- (VI) For the own land at No. 18, Fude Road, it was expected to construct a hotel building with ten stories and three basement floors. The land reconstruction program (reconstruction program for unsafe and old buildings) was obtained during 2020 Q3; the construction license was obtained during 2022 Q2; and the construction commencement reporting was completed during 2022 Q4.
- (VII) No. 7, Section 3, Chongqing North Road (No. 901, Datong Subsection 2, Datong Section, Datong District, area: 55.36 pings) to participate in the joint construction of Nian Feng Construction (reconstruction program for unsafe and old buildings), and to be allocated with 8 houses and 7 parking spaces. The land reconstruction program (reconstruction program for unsafe and old buildings) and construction license had been obtained.

II. Overview of 2023 Development Plan

- (I) For the Shihlin Paper old factory land development project, “Taipei City Shihlin District Urban Plan Overall Review (Detailed Plan) (2nd Revision “Shihlin Paper Factory Land at Guanghua Section of Shilin District” Land Use Zone Control and Relevant Regulations) Project” public exhibition is expected to be handled according to the resolution of the 798th

meeting of the Urban Planning Commission, Taipei City Government dated October 6, 2022, by the Taipei City Government during 2023 Q1. In addition, for this project, the Shihlin Paper Historical Building Restoration and Reuse Plan is expected to be submitted during 2023 Q1, and the Urban Renewal Enterprise and Right Change Plan is expected to be submitted during 2023 Q4.

- (II) The urban renewal development project of Warehouse No. 5 (a hotel building with 12 floors above ground and 3 floors underground) is expected to be completed by beam-raising by Q4 of 2023.
- (III) Apart from converting Sunshine Shihlin Paper Sun Hotel into a general hotel and diversified restaurant portfolio, the Company will continue to integrate various resources this year to expand revenue, occupancy rate, and overall operating revenue.
- (IV) In the Company's joint construction contract for the land at No. 669-3 and 669-15, Guanghua Subsection 2, together with a parcel of neighboring land, residential buildings with 11 floors above ground and 3 floors underground have been reported to be completed the construction registration in January 2023. It is scheduled that the alteration of the design will be submitted in the first half of 2023.
- (V) The Company planned to build a commercial and hotel building with 10 floors above ground and 3 floors underground on the self-owned land at No. 18, Fude Road. It is scheduled to complete outsourcing for construction in Q2 of 2023 and have the demolition for the existing buildings in Q3 of 2023.
- (VI) The joint construction project on No. 7, Section 3, Chongqing North Road would be allocated with 8 houses and 7 parking spaces. One storefront and one parking space were reserved for future lease, while the remaining 7 residential units and 6 parking spaces were for pre-sale.

III. Development strategy

Sunshine Shihlin Development Co., Ltd. is a company of sustainable operation and is committed to the proper management of its own land assets with the best effort. For the criteria of its own land, the company will move toward the direction of re-planning and renovation of current houses, an increase of floor effect, and rental rate. Furthermore, the company will continue to integrate land in other areas that are conducive to carrying out development, urban renewal, or reconstruction program for unsafe and old buildings, to create a niche for the company while cooperating with government policies to jointly create the best interests of the urban development of Taipei City's north district and nearby residents.

IV. External competition environment

Due to the impact of the COVID-19 pandemic, the number of people requiring self-quarantine in 2020 increased, and the investee Sunshine Shihlin Paper Sun Hotel was subsequently transformed into a quarantined hotel. In 2022, according to the government's epidemic control policy, it has been transformed back into a regular hotel. It will continue to cautiously respond to changes in the external economy, adjust and increase catering services in a timely manner, and explore the take-out meal market to diversify income sources.

V. Impacts of the regulatory environment and the overall business environment

The Urban Renewal Act was amended, passed, and promulgated for implementation on January 30, 2019. The company has actively reviewed the conditions of existing land assets and conducted various asset revitalization assessments. In addition, Taipei City's regulations for the acceleration of the reconstruction of dangerous and old buildings were implemented in October 2019. The Company has reviewed eligible land assets in accordance with the regulations and completed the inclusion in the land reconstruction program (the reconstruction program for dangerous old buildings). The application for a construction license was completed in 2022 for

the project on No. 18, Fude Road. The joint construction project of the land reconstruction program (reconstruction program for unsafe and old buildings) on No. 669-3 and 669-15, Guanghua Subsection 2 with the neighboring land whose application for a construction license was obtained. Section 3, Chongqing North Road to participate in the joint construction of Nian Feng Construction, will continue as scheduled in 2023 for the construction work in line with the plan. Taipei City Government is planning to relax the application for TOD incentives, and has held a public presentation, we will keep track of the progress and review the applicability to future development projects.

Looking ahead to 2023, with the gradual recovery of Taiwan's economic growth, the Company still needs to pay attention to changes in the global economy due to the pandemic, China-US trade friction, and other factors, and make appropriate adjustments. Therefore, the Company will continue to be cautious and to cooperate with the government policies actively to meet relevant review requirements, so as to implement the Company's development business smoothly while safeguarding the rights and interests of the Company's shareholders and meeting the expectations of all parties in the society.

Best regards

Shihlin Paper Co., Ltd.

Chairman, Tai Shih Trading Co., Ltd.

President, Cheng-Che Tsai

Two. Company Profile

Shihlin Paper Co., Ltd. originally had Shilin and Yongan Paper Mills 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's 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. Shilling Paper Mill formally established the Shihlin Paper Co., Ltd. (hereinafter referred to as the "Company") on January 1, 1959.

In January 1959, the Company's initial capital was NT\$27.2 million.

At the beginning of the Company's establishment, Shilin Paper Mill had only two paper machines, No. 1 and No. 2, with an annual output of only more than 8,900 metric tons. After years of expansion, Shilin Paper Mill has five paper machines. In 1970, it purchased land and established the Yongan Paper Mill in Yongan Fishing Harbor, Xinwu Township, Taoyuan while setting up pulping equipment first to supply pulp to the Shilin Paper Mill. In 1978, it set up a paper machine with a daily output of 100 metric tons, paper machine No. 2 with a daily output of 200 metric tons in 1984, and paper machine No. 3 with a daily output of 80 metric tons in 1989. The output of the two paper mills could reach 194,400 metric tons annually. In May 1989, one set of cogeneration equipment was set up and operated officially in September 1990, which opened a new chapter of energy conservation for the Company.

To improve product quality, reduce long-term production costs, and breakthrough operational difficulties, the Company repaired and updated paper machine No. 2 with a daily output of 200 metric tons at the Yongan Paper Mill in mid-December 1993, and increased the daily production capacity to 250 metric tons. The Company conducted modification of the equipment again in November 1998 to make the quality more stable and to increase the types of paper produced. It is of great help to the Company in conducting business transformation.

On December 20, 1998, due to the old equipment and low production capacity of the Shilin Paper Mill, increasing production costs, and lack of competitiveness, the Company had no choice but close the Shilin Paper Mill to end the 80 years of operations. After approval by the Board of Directors., the Shilin Paper Mill's original machine No. 4 and other available equipment were installed into the paper machine No. 4 at the Yongan Paper Mill, through the updates of some parts of some machines, to increase the diversity of supply.

On December 30, 2003, to implement professional division of labor so as to increase competitiveness, part of the land, property, and equipment was divided and transferred to Sunshine Shihlin Development Co., Ltd., a wholly-owned subsidiary of the Company. It is mainly involved

in the development, leasing, and sale of residential buildings and commercial buildings, leasing of real estate, investment and construction of public works, and leasing of office building.

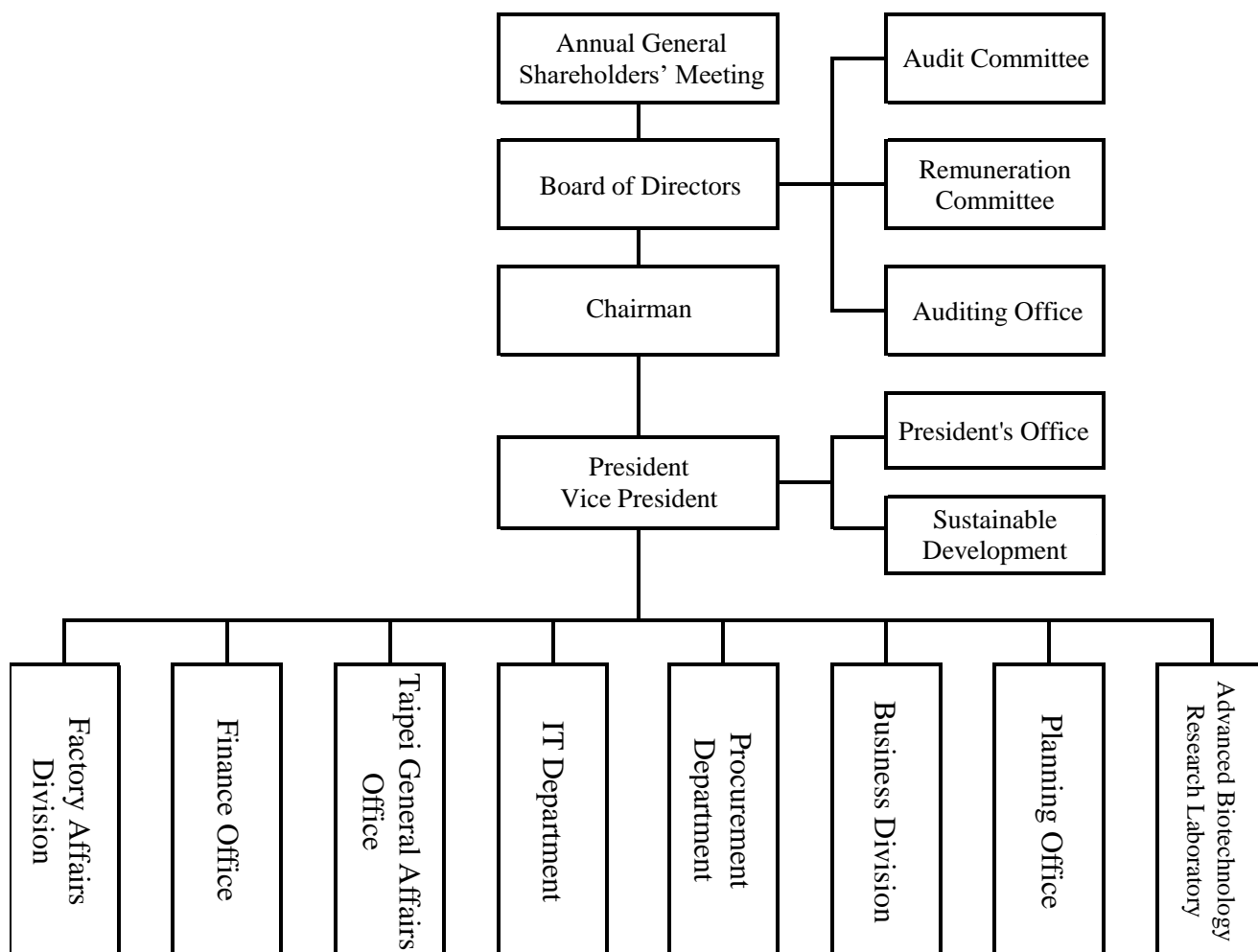
After approved by the shareholders' meeting on June 27, 2014, the Yongan Paper Mill officially ceased operation and production in October of the same year. The Company has planned a series of supporting measures for transformation, including land revitalization and paper processing. To adapt to market changes and demands, the Company has gradually transformed itself and adjusted its business and products by adding the sales of wet wipes, facial masks, and baby wash and care products to the product lines.

At the end of 2022, the total authorized capital was NT\$2.8 billion, and the paid-in capital was NT\$2,600,391,210.

Three. Corporate Governance Report

I. Organization

(I) Organizational Chart of the Company:



(II) Responsibilities of Main Segments

Department name	Content
Auditing Office	Inspect and review the deficiencies of the internal control system, evaluate the efficiency and effect of the operation, and provide suggestions for improvement in a timely manner to ensure the effective implementation of the internal control system and serve as the basis for the review and amendment of the internal control system.
President's Office	<ol style="list-style-type: none">1. The formulation and promotion of business policies and goals, strategic planning, and business management.2. Implementing and supervising various management rules and regulations and implementing and managing various departments of the Company.3. Administering the execution and coordination of the Company's business activities, setting business goals, and commanding and supervising the operations of each department.4. Coordinate the company's business strategies, and business plans, formulate business guidelines, control the operating status of each department, and supervise the implementation of the business plans of each business unit.5. Secretarial Section: Responsible for HR administrative affairs and secretarial work.
Factory Affairs Division	<ol style="list-style-type: none">1. Implement various services to promote good neighborliness and establish good public relations.2. Vendor problem response, communication and resolution.3. Industrial safety management. Extension of time for water wells, declaration of water consumption.4. Supervision and management of logistics-related businesses.
Finance Office	<ol style="list-style-type: none">1. Responsible for the preparation and execution of budgets and final accounts.2. Establishment of the accounting system.3. Recording of accounting matters.4. Review of various receipts and expenditures.5. Fund allocation.6. Investment in marketable securities, stock affairs, and related financial matters.
Taipei General Affairs Office	<ol style="list-style-type: none">1. General affairs and administration.2. Property, plant, and equipment management.3. Rental and leasing business management.4. Warehousing and cargo management.
IT Department	<ol style="list-style-type: none">1. Promotion of the Company's computerized operations and establishment and maintenance of information systems.2. Implementing computer operations, operating system planning, program design, and management and utilization of computer resources.3. Planning, monitoring, execution, and management of information security systems.
Procurement Department	<ol style="list-style-type: none">1. Arrange procurement plans.2. Ordering and delivery control of materials.3. Search for suppliers of new products and new materials.4. Master the changes in the market price and quality of raw materials.5. Improve product quality and reduce procurement costs.
Business Division	<ol style="list-style-type: none">1. Development of online and offline markets for domestic and foreign products.2. Planning and execution of domestic and overseas online/offline marketing.

Department name	Content
	3. Monthly, quarterly, and annual business targets are set, executed, and reviewed. 4. Domestic and foreign collaborative online and offline channels, and education and training of sales personnel. 5. Cooperative development and connection with different industries.
Planning Office	1. Product development and planning. 2. Market research and analysis. 3. Brand strategy planning. 4. Marketing and advertising execution. 5. Visual design and planning.
Advanced Biotechnology Research Laboratory	1. Formulate and execute the R&D direction. 2. Trial procedure planning, trial execution, and outcome evaluation. 3. Product development and market research. 4. The control of cosmetics laws and regulations. 5. Compliance with commodity labeling laws and regulations.

II. Information on Directors, President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

(I) Director

1. List of Directors

Information of 25th Term of Directors (Assumed duty on 2022/06/14)

April 7, 2023

Title	Nationality of registration place	Name	Gender / Age	Date of (elected to) office	Term	Date first elected	Shareholdings at the time of elected office		Current shareholdings		Current shareholdings of spouse/minor children		Holding shares in the name of another person		Key Work and Academic Experience	Currently holding concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or within two degrees of consanguinity			Remarks (Note 1)
							Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Title	Name	Relationship	
Chairman	Taiwan, R.O.C	Tai Shih Trading Co., Ltd. Representative: Po-Ting Chen	Male 51-60 years old	2022/6/14	3 years	1960/11/5	907,667	0.35%	904,667	0.35%	0	0%	0	0%	Chairman, Wan Hai Lines Ltd. (Master of Business Administration, University of San Francisco, USA)	Corporation representative, Chairman, Wan Hai Lines Ltd. Vice Chairman, Sunshine Shihlin Development Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C	Yee Tzao Enterprise Co., Ltd. Representative: Chiu-Ling Wu	Female 51-60 years old	2022/6/14	3 years	1966/3/23	825,905	0.32%	825,905	0.32%	0	0%	0	0%	Chairman, Yee Tzao Enterprise Co., Ltd. (De Lin Institute of Technology)	Chairman, Yee Tzao Enterprise Co., Ltd. Chairman, ELATION MACHINERY INDUSTRIAL CORPORATION Director, UNICOOPERATE INTERNATIONAL CO., LTD. Director, Xiang Deng Construction Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C	Yi Hsiang Industrial Co., Ltd. Representative: Chih-Yuan Chen	Male 51-60 years old	2022/6/14	3 years	2016/6/8	800,000	0.31%	800,000	0.31%	0	0%	0	0%	Chairman, Yi Yuan Industrial, Co., Ltd. (MBA, New York University)	Chairman, Yi Yuan Industrial, Co., Ltd. Vice Chairman, Taian Insurance Co., Ltd. Chairman, Sunshine Shihlin Development Co., Ltd. Corporate Representative Director, China Airlines, Ltd.	None	None	None	None
Director		Vacancy																		
Independent Director	Taiwan, R.O.C	Hsiao-Chueh Hsieh	Female 61-70 years old	2022/6/14	3 years	2019/6/24	0	0%	0	0%	0	0%	0	0%	Vice President, June Lai Metal Co., Ltd; Director, Finance Department, Jiutong Motors Co. Ltd (2005 EMBA, National Chengchi University and Department of Banking and Insurance, Chihlee Commercial College)	Vice President, Management Department, June Lai Metal Co., Ltd.	None	None	None	None

Title	Nationality of registration place	Name	Gender / Age	Date of (elected to) office	Term	Date first elected	Shareholdings at the time of elected office		Current shareholdings		Current shareholdings of spouse/minor children		Holding shares in the name of another person		Key Work and Academic Experience	Currently holding concurrent positions in the Company and other companies	Other officers, directors or supervisors who are spouses or within two degrees of consanguinity			Remarks (Note 1)
							Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Title	Name	Relationship	
Independent Director	Taiwan, R.O.C	Ming-Chu Chen	Male 71-80 years old	2022/6/14	3 years	2016/6/8	0	0%	0	0%	0	0%	0	0%	Director, Institute of Architecture and Urban Planning, Chinese Culture University Director, Institute of Architecture, Tamkang University Chairman, Foundation for Research on Open Space, Taipei Chairman, Foundation for Research on Open Space, Taipei (M.S. Architecture and Urban Design, Graduate School of Architecture, Columbia University, USA; M.A., Architecture, College of the Arts, Ohio University, USA)	Chairman of Create Planning and Design Co., Ltd. Chairman, Foundation for Research on Open Space, Taipei Distinguished Adjunct Professor, College of Environmental Design, Chinese Culture University Chairman, Awards Committee, International Real Estate Federation (FIABCI)	None	None	None	None
Independent Director	Taiwan, R.O.C	Ming-Chien Tang	Male 61-70 years old	2022/6/14	3 years	2019/6/24	0	0%	0	0%	0	0%	0	0%	Director-General, Construction and Planning Agency, Ministry of the Interior (Institute for Industrial Planning, Chinese Culture University)	None	None	None	None	None

Note 1: The Company's Chairman and the President or the persons with equivalent positions (the top-level managers) are the same person, spouse, or relatives within the first degree of kinship to each other, the reason, reasonableness, necessity, and countermeasures shall be specified (such as increasing the number of independent directors or more than half of the directors not serving as employees or managers concurrently).

Note 2: Corporate Director Taiwan Evervaliant Corp. resigned on December 6, 2022, resulting in a vacancy.

2. Major Shareholders of Institutional Shareholders

April 7, 2023

Name of Corporate Shareholder	Major Shareholders of Institutional Shareholders
Tai Shih Trading Co., Ltd.	Hui-Ying Chen 4%, Yin-Ju Chen 17.87%, Mei-Ju Chen 9.65%, Po-Ting Chen 2.99%, Chao-Ti Chen 6.98%, Dao Qi Co., Ltd 15.62%, Dao Pu Co., Ltd 13.62%, Dao Kuan Co., Ltd 15.65%, Dao Zhou Co., Ltd 13.62%
Yee Tzao Enterprise Co., Ltd.	Shih-Teng Lin 62.2%, Chiu-Ling Wu 18.09%, Yueh-Hsia Lin 3.71%, Cheng-Hsiung Lin 8%, Yu-Hsuan Lin 8%
Yi Hsiang Industrial Co., Ltd.	Skyway Industrial Limited 34.211%, Xin Feng Co., Ltd. 18.421%, Yeong Yi Asia Corp. 18.421%, Fontainebleau Co., Ltd. 13.158%, Yi Yuan Industrial Co., Ltd. 9.211%, Yi Chao Industrial Co., Ltd. 3.947%, Chih-Hsiang Chen 2.50%, Wan-Yun Chang 0.033%, Chih-Yuan Chen 0.033%, Chih-Chao Chen 0.033%
Taiwan Evervaliant Corp.	Tai Power Enterprise Corporation 58.185%, Yi Chun Shipping Co., Ltd. (Liberia) 25.460%, Liyou Investment Co., Ltd. 9.386%, Ying-Hua Lin 0.001%, Chao-Heng Chen 0.001%, Chen-Yung Foundation 4.845%, Ching-Chih Chen 0.001%, UNIMODE INVESTMENT CO., LTD 2.122%

3. Institutional shareholders whose major shareholders are institutional shareholders

April 7, 2023

Name of Institutional Shareholder	Major Shareholders of Institutional Shareholder
Dao Qi Co., Ltd.	Crystal Blossom Ltd 100%
Dao Kuan Co., Ltd.	Discovery Treasure Limited 100%
Dao Pu Co., Ltd.	Integrated Global Investments Limited 100%
Dao Zhou Co., Ltd.	Chesterfield Capital Management Inc 100%
Skyway Industrial Limited	CCS Co., Ltd 100%
Xin Feng Co., Ltd.	Skyway Industrial Limited 83.333%, Yi Yuan Industrial Co., Ltd. 3.730%, Yi Chao Industrial Co., Ltd. 3.532%, Yi Xiang Co., Ltd. 3.532%, Chih-Yuan Chen 2.603%, Chih-Hsiang Chen 1.258%, Chih-Chao Chen 1.218%, Wan-Yun Chang 0.794%
Yeong Yi Asia Corp.	Smithson Crowford Murray Capital 32.165%, Xin Feng Co., Ltd. 24.962%, Fontainebleau Co., Ltd. 24.517%, Skyway Industrial Limited 4.923%, Yi Chao Industrial Co., Ltd. 4.144%, Chen-Yung Foundation 3.436%, Chen Chih-Chao 1.947%, Sui Shi Song Co., Ltd. 1.727%, Yi Yuan Industrial Co., Ltd. 1.154%, Kang Tu Industrial Co., Ltd. 0.683%
Fontainebleau Co., Ltd.	China Container Terminal Corp. (Liberia) 56.933%, Skyway Industrial Limited 22.548%, Smithson Crowford Murray Capital 9.442%, Yeong Yi Asia Corp. 2.157%, Yi Yuan Industrial Co., Ltd. 2.155%, Yi Chao Industrial Co., Ltd. 2.121%, Yi Hsiang Industrial Co., Ltd. 2.121%, Chih-Yuan Chen 0.960%, Kang Tu Industrial Co., Ltd. 0.564%, Xin Feng Co., Ltd. 0.564%
Yi Yuan Industrial Co., Ltd.	Skyway Industrial Limited 22.616%, Yeong Yi Asia Corp. 18.847%, Fontainebleau Co., Ltd. 18.847%, Xin Feng Co., Ltd. 18.847%, Chen Chih-Yuan 16.698%, Sui Shi Song Co., Ltd. 1.998%, Meng-Li Tsou 1.885%, Yu-An Chen 0.196%, Wan-Yun Chang 0.038%, Chao-Heng Chen 0.030%
Yi Chao Industrial Co., Ltd.	Chih-Chao Chen 49.891%, Skyway Industrial Limited 30.435%, Fontainebleau Co., Ltd. 11.594%, Xin Feng Co., Ltd. 8.043%, Chih-Yuan Chen 0.009%, Chao-Heng Chen, 0.009%, Wan-Yun Chang 0.009%, Shao-Ning Chang 0.009%

4. Disclosure of professional qualifications of directors and independence of independent directors

April 7, 2023

Name	Conditions	Professional qualifications and experience	Independence status	Number of publicly listed companies where the person concurrently serves as an independent Director
Tai Shih Trading Co., Ltd. Representative: Po-Ting Chen		Master of Business Administration, University of San Francisco, USA Corporation representative, Chairman, Wan Hai Lines Ltd. Vice Chairman, Sunshine Shihlin Development Co., Ltd. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	Representative of Tai Shih Trading Co., Ltd. Apart from representing the Company as the Vice Chairman of the Board of Directors for its wholly owned subsidiary, Sunshine Shihlin Development Co., Ltd., he/she is not an employee, director, or supervisor of the Company or any of its affiliated companies. A spouse or relative within the second degree of kinship relationship of another director.	0
Yee Tzao Enterprise Co., Ltd. Representative: Chiu-Ling Wu		Academic Qualification: De Lin Institute of Technology Chairman, Yee Tzao Enterprise Co., Ltd. Chairman, ELATION MACHINERY INDUSTRIAL CORPORATION Director, UNICOOPERATE INTERNATIONAL CO., LTD. Director, Xiang Deng Construction Co., Ltd. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	A spouse or relative within the second degree of kinship relationship of another director. The representative served as the director of Yee Tzao Enterprise Co., Ltd.	0
Yi Hsiang Industrial Co., Ltd. Representative: Chih-Yuan Chen		Academic Qualification: MBA, New York University Chairman, Yi Yuan Industrial, Co., Ltd. Vice Chairman, Taian Insurance Co., Ltd. Chairman, Sunshine Shihlin Development Co., Ltd. Corporate Representative Director, China Airlines, Ltd. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	A spouse or relative within the second degree of kinship relationship of another director. The representative served as the director of Yi Hsiang Industrial Co., Ltd.	0
Ming-Chu Chen		Academic Qualification: M.S. Architecture and Urban Design, Graduate School of Architecture, Columbia University, USA; M.A., Architecture, College of the Arts, Ohio University, USA Experience: Member of International Association for Professional Certification LLC. (IAPC); Chief Urban Planner of Gresham&Smith, USA; Chair of the Department of Engineering and Graphics, Denmark Technical College, South Carolina, USA; Chief Planner of Harbison New Town, USA; Urban Designer, Design Division, Department of Housing and Urban Development; Director, Institute of Architecture and Urban Planning, Chinese Culture University; Director, Department of Architecture and Urban Design, Chinese Culture University; Director, Institute of Architecture, Tamkang University. Current position: Distinguished Professor of Chinese Culture University and Supervisor of Alumni Association; Chairman of Foundation for Research on Open Space, Taipei; Managing Director of Chinese National Association of Industry and Commerce; Independent Director and member of Audit Committee and Remuneration Committee of Shihlin Paper Co., Ltd. Possessing the qualification of lecturer or above in public or private tertiary institutions with relevant subjects and the work experience required for the Company's business activities. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	None of himself/herself, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The shareholder, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Meet the independence requirements of independent directors.	0
Ming-Chien Tang		Academic Qualification: Institute for Industrial Planning, Chinese Culture University Experience: Director-General, Construction and Planning Agency, Ministry of the Interior Current positions: Independent Director, member of the Audit Committee and member of the Remuneration Committee of Shihlin Paper Co., Ltd. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	None of himself/herself, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The shareholder, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Meet the independence requirements of independent directors.	0
Hsiao-Chueh Hsieh		Academic Qualification: 2005 EMBA, National Chengchi University Experience: Head of Finance Section, Jiutong Motors Co. Current position: Vice President of the Management Department of June Lai Metal Co., Ltd, Independent Director, Convener of the Audit Committee, and member of the Remuneration Committee of Shihlin Paper Industry Co., Ltd. With over 20 years of accounting and financial expertise and financial practice experience. No situation under any of the subparagraphs of Article 30 of the Company Act (Note 1)	None of himself/herself, spouse, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The shareholder, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Meet the independence requirements of independent directors.	0

Note 1: Article 30 of the Company Act: A person who is under any of the following circumstances shall not act as a manager of a company. If he has been appointed as such, he shall certainly be discharged:

- I. Having committed an offence as specified in the Statute for Prevention of Organizational Crimes and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or five years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- II. Having committed the offence in terms of fraud, breach of trust or misappropriation and subsequently convicted with imprisonment for a term of more than one year, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- III. Having committed the offense as specified in the Anti-corruption Act and subsequently convicted of a crime, and has not started serving the sentence, has not completed serving the sentence, or two years have not elapsed since completion of serving the sentence, expiration of the probation, or pardon.
- IV. Having been adjudicated bankrupt or adjudicated of the commencement of liquidation process by a court, and having not been reinstated to his rights and privileges.
- V. Having been dishonored for unlawful use of credit instruments, and the term of such sanction has not expired yet.
- VI. Having no or only limited disposing capacity.
- VII. Having been adjudicated of the commencement of assistantship and such assistantship having not been revoked yet.

5. Diversity and Independence of the Board of Directors:

- (1) The diversity policy of the Board of Directors of the Company is based on the operation, business model, and development needs of the Company, including but not limited to the following criteria: basic qualifications and values (e.g. gender, age, nationality, and culture, etc.), professional background (e.g. architecture, accounting, finance, construction, business management, etc.), professional skills and industrial experience, etc.
- (2) The Company's Board of Directors as of April 7, 2023 currently comprises 6 directors (one director is missing) with extensive experience and expertise in various fields such as architectural design, construction planning, finance, accounting, and corporate management. Currently, 4 of the 6 directors are male, accounting for 67% of the board. There are 2 female directors, accounting for 33%. 6 directors are aged 50 or older, accounting for 100%.
- (3) The Company's Board of Directors consists of 3 independent directors. The candidate nomination system is adopted, and the shareholders' meeting elects independent directors from the list of independent directors. The professional qualifications and appointment of these directors are in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies".

6. Succession Planning for Board Members and important Management

The election of the directors of the Company is performed according to the "Procedures for Election of Directors" of the Company. Based on the consideration of the business development scale and the shareholding status of the main shareholders of the Company along with the evaluation of the needs of actual operation in practice, there are a total of seven directors. In addition, in accordance with the board member diversity policy of the Company, the abilities required for the entirety of the Board of Directors and the annual board performance evaluation result are considered, in order to perform board member candidate arrangement and appointment. The Board of Directors shall direct the strategies of the Company, review the execution progress of strategies, and supervise the management team. In addition, review and adjustment shall be performed according to the industry

environment, market condition, and operational direction of the Company. The Board of Directors shall be responsible for the Company and its shareholders, and it is necessary to ensure that the Board of Directors exercises power and authority according to the provisions of the laws and articles of incorporation or resolution of shareholders' meeting.

The abilities required for the entirety of Board of Directors are as follows:

- (1) Operational judgment ability.
- (2) Accounting and financial analysis ability.
- (3) Business management ability.
- (4) Crisis handling ability.
- (5) Knowledge of the industry.
- (6) International market perspective.
- (7) Leadership.
- (8) Decision-making ability.

(II) Information on President, Vice Presidents, Assistant Vice Presidents, and Heads of Departments and Branches

April 7, 2023

Title	Nationality	Name	Gender	Date of (elected to) office	Current shareholding		Shareholding of spouse and underage children		Holding shares in the name of another person		Key Work and Academic Experience	Concurrent positions in other companies	Manager with spouse or consanguineous within two degrees			Remarks (Note 1)
					Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Title	Name	Relationship	
President	Taiwan, R.O.C	Cheng -Che Tsai	Male	2018/1/1	0	0	0	0	0	0	Shihlin Paper Co., Ltd. President (Department of Shipping & Transportation Management, National Taiwan Ocean University)	Supervisor, Shihlin Environment Corporation	None	None	None	None
Vice President	Taiwan, R.O.C	Mei-Ju Chen	Female	2004/7/1	2,131,906	0.82	0	0	0	0	Vice President, Shihlin Paper Co., Ltd. (Masters, Boston University)	Chairman of the Board of Directors of Sunnyfield Shihlin Co., Ltd. Director, Shihlin Environment Corporation	None	None	None	None
Assistant Vice President	Taiwan, R.O.C	Hung-Chu Li	Male	2022/3/15	0	0	0	0	0	0	Shihlin Paper Co., Ltd. Assistant Vice President (Department of Social Sciences, National Open University)	None	None	None	None	None
Manager	Taiwan, R.O.C	Ni-Ru Lin	Female	2019/3/22	0	0	0	0	0	0	Manager of Shihlin Paper Co., Ltd. (Department of Accounting, Soochow University)	Accounting Officer, Sunshine Shihlin Development Co., Ltd.	None	None	None	None

Note 1: The Company's President or the persons with equivalent positions (the top-level managers) and the Chairman are the same person, spouse, or relatives within the first degree of kinship to each other, the reason, reasonableness, necessity, and countermeasures shall be disclosed (such as increasing the number of independent directors or more than half of the directors not serving as employees or managers concurrently).

III. Remuneration of Directors, President and Vice Presidents

(I) Remuneration of general directors and independent directors (disclosure of individual names and remuneration methods):

Unit: NT\$ thousand

Title	Name	Remuneration to directors										Compensation for part-time employees								A, B, C, D, E, F and G as a percentage of net income after tax		Remuneration received from reinvested businesses or from the parent company	
		Base compensation (A)		Retirement pay and pensions (B)		Compensation to directors (C)		Expenses and perquisites (D)		The proportion of total A, B, C and D to net income after tax		Base compensation, bonuses, and special disbursements (E)		Retirement benefits (F)		Employee profit-sharing compensation (G)				The Company	All companies included in the financial statements		
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	Cash Amount	Amount paid in shares	Cash Amount	Amount paid in shares				
Director	Tai Shih Trading Co., Ltd. Representative: Po-Ting Chen	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Yee Tzao Enterprise Co., Ltd. Representative: Chiu-Ling Wu	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Taiwan Evervaliant Corp. Representative: You Chen (Note 2)	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Director	Yi Hsiang Industrial Co., Ltd. Representative: Chih-Yuan Chen	0	0	0	0	0	0	0	0	0.00%	0.00%	0	0	0	0	0	0	0	0	0	0.00%	0.00%	None
Independent Director	Hsiao-Chueh Hsieh	0	0	0	0	0	0	264	264	0.12%	0.12%	0	0	0	0	0	0	0	0	0	0.12%	0.12%	None
Independent Director	Ming-Chu Chen	0	0	0	0	0	0	264	264	0.12%	0.12%	0	0	0	0	0	0	0	0	0	0.12%	0.12%	None
Independent Director	Ming-Chien Tang	0	0	0	0	0	0	264	264	0.12%	0.12%	0	0	0	0	0	0	0	0	0	0.12%	0.12%	None

1. Please describe the policy, system, criteria and structure for the remuneration of independent Directors, and describe the relevance to the amount of compensation paid based on the responsibilities, risks and time commitment:

The remuneration of the independent Directors of the Company is based on the resolution of the 8th meeting of the 23rd Board of Directors and the 2nd meeting of the 24th Board of Directors of the Company, and the fees are paid according to their role and capacity in the Company.

2. In addition to the above disclosure, the remuneration received by the directors of the Company for services rendered in the most recent year (e.g. as anon-employee consultant of the parent company/the entities in the financial statements/the investees): None.

Note 1: Net income after tax refers to the net income after tax as in the parent company only financial reports for the most recent year.

Note 2: Corporate Director Taiwan Evervaliant Corp. was resigned on December 6, 2022.

* The content of the remuneration disclosed in this table is different from the concept of income as in the Income Tax Act, so this table is for the purpose of information disclosure and not for taxation purposes.

(II) Remuneration of the President and Vice Presidents (name disclosed in the corresponding range in an aggregate manner)

Unit: NT\$ thousand

Title	Name	Salary (A)		Retirement pay and pensions (B)		Bonuses, and Allowances (C)		Amount of employee compensation (D)				The proportion of total A, B, C and D to net income after tax(%) (Note 1)		Remuneration received from reinvested businesses or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Amount paid in shares	Cash Amount	Amount paid in shares			
President	Cheng-Che Tsai	1,596	1,596	101	101	244	244	0	0	0	0	0.92%	0.92%	None
Vice President	Mei-Ju Chen													

Remuneration Range Table

Remuneration Paid to President, and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies in the financial statements (E)
Less than NT\$1,000,000	None	None
NT\$1,000,000 (inclusive) ~ NT\$2,000,000 (exclusive)	Cheng-Che Tsai, Mei-Ju Chen	Cheng-Che Tsai, Mei-Ju Chen
NT\$2,000,000 (inclusive) ~ NT\$3,500,000 (exclusive)	None	None
NT\$3,500,000 (inclusive) ~ NT\$5,000,000 (exclusive)	None	None
NT\$5,000,000 (inclusive) ~ NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive) ~ NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive) ~ NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive) ~ NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)~ NT\$100,000,000 (exclusive)	None	None
Above NT\$100,000,000	None	None
Total	2	2

Note 1: Net income after tax refers to the net income after tax as in the parent company only financial reports for the most recent year.

* The content of the remuneration disclosed in this table is different from the concept of income as in the Income Tax Act, so this table is for the purpose of information disclosure and not for taxation purposes.

(III) Top Five Managers of the Company with the Highest Remuneration

December 31, 2022; Unit: NT\$ thousand

Title	Name	Salary (A)		Retirement benefits (B)		Bonuses and special expenses, etc. (C)		Amount of employee compensation (D)				Sum of A, B, C and D as a percentage of net income (%)		Remuneration received from reinvested businesses or from the parent company
		The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company	All companies included in the financial statements	The Company		All companies included in the financial statements		The Company	All companies included in the financial statements	
								Cash Amount	Amount paid in shares	Cash Amount	Amount paid in shares			
President	Cheng-Che Tsai	798	798	50	50	122	122	0	0	0	0	0.46%	0.46%	None
Vice President	Mei-Ju Chen	798	798	50	50	122	122	0	0	0	0	0.46%	0.46%	None
Assistant Vice President Sales	Hung-Chu Li	1,107	1,107	69	69	112	112	0	0	0	0	0.61%	0.61%	None
Manager, Finance Office	Ni-Ru Lin	971	971	60	60	111	111	0	0	0	0	0.54%	0.54%	None

Note 1: Net income after tax refers to the net income after tax as in the parent company only financial reports for the most recent year.

* The content of the remuneration disclosed in this table is different from the concept of income as in the Income Tax Act, so this table is for the purpose of information disclosure and not for taxation purposes.

(IV) Analysis of total remuneration of directors, President and Vice President as a percentage of net profit after tax of parent company only financial statements

The Company and all companies in the consolidated financial statements had only paid the remuneration to the representatives of the investees as institutional directors and the

professional service fees to independent directors in the most recent two years (accounting for 0.36% and 21.32% of the net profit after tax for 2022 and 2021, respectively, and did not pay remuneration to other directors and supervisors; the remuneration paid to the President, and Vice Presidents is mainly for their salaries, accounting for 0.92% and 2.27% of the net profit after tax for 2022 and 2021, respectively; payment of salaries is in accordance with the relevant provisions of the Company's regulations on personnel.

IV. Operation of Corporate Governance

(I) Information on the Operation of the Board of Directors

The Board of Directors held 6 (A) meetings in the latest year. The attendance of directors is as follows:

December 31, 2022

Title	Name	Actual number of () seats B	Number in attendance by proxy	Actual attendance rate(%) (B/ A)	Remarks
Attendance of the 24th Board of Directors: (2022.01.01 to 2022.06.13; 2 Board of Directors meetings were convened in the latest year)					
Chairman	Representative, Tai Shih Trading Co., Ltd.: Po-Ting Chen	2	0	100.00%	
Director	Representative, Yee Tzao Enterprise Co., Ltd.: Chiu-Ling Wu	2	0	100.00%	
Director	Representative, Yi Xiang Industrial Co., Ltd.: Chih-Yuan Chen	2	0	100.00%	
Director	Representative, Taiwan Evervaliant Corp.: You Chen	2	0	100.00%	
Independent Director	Hsiao-Chueh Hsieh	2	0	100.00%	
Independent Director	Ming-Chu Chen	2	0	100.00%	
Independent Director	Ming-Chien Tang	2	0	100.00%	
Attendance of the 25th Board of Directors (2022.06.14 to 2022.12.31; 4 Board of Directors meetings were held in the most recent year)					
Chairman	Representative, Tai Shih Trading Co., Ltd.: Po-Ting Chen	4	0	100.00%	
Director	Representative, Yee Tzao Enterprise Co., Ltd.: Chiu-Ling Wu	4	0	100.00%	
Director	Representative, Yi Xiang Industrial Co., Ltd.: Chih-Yuan Chen	3	1	75.00%	
Director	Representative, Taiwan Evervaliant Corp.: You Chen	3	0	100.00%	Resigned on December 6, 2022
Independent Director	Hsiao-Chueh Hsieh	4	0	100.00%	
Independent Director	Ming-Chu Chen	4	0	100.00%	
Independent Director	Ming-Chien Tang	4	0	100.00%	

Other items to be recorded:													
I.	The matters listed in Article 14-3 of the Securities and Exchange Act and other matters resolved by the Board of Directors' meeting in which the independent Directors have objected to or reserved their opinions and for which records or written statements are available shall state the date and time of the Board of Directors' meeting, the content of the motion, the opinions of all independent directors and the Company's treatment of the opinions of the independent Directors: In accordance with the law, the independent directors did not object to or reserve their opinions on any of the motions during this year's Board of Directors' meeting.												
II.	The implementation of the director's recusal of the proposal of interest shall state the name of the director, the content of the proposal, the reason for the recusal of interest and the circumstances of participation in voting: None.												
III.	Publicly listed companies shall disclose the evaluation cycle and period, evaluation scope, method and evaluation content of the Board of Directors' self (or peer) evaluation as well as other material information												
	<table border="1"> <thead> <tr> <th>Evaluation Cycle</th> <th>Evaluation period</th> <th>Evaluation scope</th> <th>Method of evaluation</th> <th>Content of evaluation</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Performed once a year</td> <td rowspan="3">2022.01.01~2022.12.31</td> <td rowspan="3">Overall Board of Directors, individual Board members and functional committees</td> <td rowspan="3">Internal self-assessment</td> <td>Board of Directors: 1. Participation in the operation of the company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the directors; and 5. Internal control.</td> </tr> <tr> <td>Members of the Board: 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control</td> </tr> <tr> <td>Functional Committees: 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members 5. Internal control.</td> </tr> </tbody> </table>	Evaluation Cycle	Evaluation period	Evaluation scope	Method of evaluation	Content of evaluation	Performed once a year	2022.01.01~2022.12.31	Overall Board of Directors, individual Board members and functional committees	Internal self-assessment	Board of Directors: 1. Participation in the operation of the company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the directors; and 5. Internal control.	Members of the Board: 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control	Functional Committees: 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members 5. Internal control.
Evaluation Cycle	Evaluation period	Evaluation scope	Method of evaluation	Content of evaluation									
Performed once a year	2022.01.01~2022.12.31	Overall Board of Directors, individual Board members and functional committees	Internal self-assessment	Board of Directors: 1. Participation in the operation of the company; 2. Improvement of the quality of the Board of Directors' decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the directors; and 5. Internal control.									
				Members of the Board: 1. Alignment of the goals and missions of the company; 2. Awareness of the duties of a director; 3. Participation in the operation of the company; 4. Management of internal relationship and communication; 5. The director's professionalism and continuing education; and 6. Internal control									
				Functional Committees: 1. Participation in the operation of the company; 2. Awareness of the duties of the functional committee; 3. Improvement of quality of decisions made by the functional committee; 4. Makeup of the functional committee and election of its members 5. Internal control.									
	Supplementary Note: The average attendance rate at the Company's Board of Directors meeting in 2022 was 97.56%.												
IV.	Assessment of the objectives of the current and most recent year to strengthen the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and the corresponding implementation status: The Company has amended the Articles of Incorporation and established the Audit Committee since 2019 to comply with the requirements of the competent authority.												

(II) Operation of the Audit Committee

1. The Audit Committee of the Company consists of three members, whose main authorities and responsibilities are as follows
 - (1) To establish or amend the internal control system in accordance with Article 14-1 of the Securities and Exchange Act
 - (2) To evaluate the effectiveness of the internal control system.
 - (3) To establish or revise procedures for handling significant financial transactions involving the acquisition or disposal of assets, derivative transactions, lending of funds to others, or endorsement or guarantee for others in accordance with Article 36-1 of the Securities and Exchange Act.
 - (4) Matters involving directors' own interests.
 - (5) Significant asset or derivative transactions.

- (6) Significant lending of funds, endorsements or guarantees.
- (7) Public offering, issuance, or private placement of equity-type securities.
- (8) The appointment, dismissal, or compensation of attesting CPAs.
- (9) Appointment or removal of finance, accounting, or the chief internal auditors.
- (10) Annual financial statements and semi-annual financial statements

2. 2022 work priorities of the Audit Committee

- (1) Review of financial reports: the Company's annual business reports, financial statement, and losses make-up proposals are approved by the Audit Committee and submitted to the Board of Directors for discussion, and then submitted to the shareholders' meeting for adoption after the Board of Directors' resolution.
- (2) Evaluation of the effectiveness of internal control: The audit unit regularly reports the internal control system and implementation status to the Audit Committee, and submits the amendments to the internal control system and the statement on the internal control system to the Audit Committee for review.
- (3) The appointment of attesting CPAs: The Audit Committee evaluates the competency of the appointment of attesting CPAs every year.

3. The Audit Committee had held 4 (A) meetings in the last year, and the attendance of independent directors is as follows:

Title	Name	Actual attendance B	Number in attendance by proxy	Actual attendance rate (%) (B/ A)	Remarks
Attendance of the 1st Committee members (January 1, 2022, to June 13, 2022; 2 Audit Committee meetings were convened in the latest year) (A)					
Independent Director (Audit Committee Convener)	Hsiao-Chueh Hsieh	2	0	100%	
Independent Director (Audit Committee members)	Ming-Chu Chen	2	0	100%	
Independent Director (Audit Committee members)	Ming-Chien Tang	2	0	100%	
Attendance of the 2nd Committee members: (June 14, 2022, to December 31, 2022; 2 Audit Committee meetings were convened in the latest year) (A)					
Independent Director (Audit Committee Convener)	Hsiao-Chueh Hsieh	2	0	100%	
Independent Director (Audit Committee members)	Ming-Chu Chen	2	0	100%	
Independent Director (Audit Committee members)	Ming-Chien Tang	2	0	100%	
Other items to be recorded:					
I. The date, session and proposal content of Audit Committee meetings, objection, qualified opinions and content of significant recommendations of independent directors, the Audit Committee's resolutions and the Company's handling of the Audit Committee's comments shall be specified under any one of the following circumstances.					
(I) The matters listed in Article 14-5 of the Securities and Exchange Act: In accordance with the law, the independent directors had no objections or reservations to each of the motions for the current year.					
(II) Aside from said circumstances, resolution(s) not passed by the audit committee but receiving the consent of two-thirds of the Board of Directors: None.					
II. The implementation of the independent Director's recusal of the proposal of interest shall state the name of the independent Director, the content of the proposal, the reason for the recusal of interest and the circumstances of participation in voting: None.					

III. Communication between the independent Directors, the chief internal auditor, and the CPA (which should include significant matters, manner, and results of communication regarding the Company's financial and business conditions):
 (I) Communication between independent directors and CPAs: There was 1 communication meeting held between independent directors and CPAs in 2022, and the main communication is summarized as follows:

Date of meeting	Communication with accountants		
	Attendees	Matters	Result of communication
2022/3/15	Independent Director Hsiao-Chueh Hsieh Independent Director, Ming-Chu Chen Independent Director, Ming-Chien Tang CPA Yu-Ling Hung	Independence of CPAs	1. A declaration that the audit personnel's office is subject to independence regulations and that the firm and the affiliated firm have complied with the independence regulations. 2. The relationship or other matters that may be considered to affect the independence of the firm or the affiliated firm and the Company are not identified after assessment.
		Auditors' responsibilities and scope of audit on the financial statements	1. The CPA's responsibilities are to perform audits on the financial statements prepared by the management under the supervision of the unit overseeing the Company in accordance with the Auditing Standards, and to form and express an opinion. The audit does not relieve the management and the governing body of their responsibilities for the financial statements. 2. Communicate the key audit matters in the audit report. 3. The Company's financial statements were prepared in accordance with the Regulations Governing the Preparation of Financial Reports and IFRS, IAS, and IFRIC interpretations and interpretations thereof recognized and issued into effect by the FSC. The audit work is carried out in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountant and Generally Accepted Auditing Standards. 4. The accountant performs the relevant audit work according to the calculated materiality amount, and adopts the expert opinion.

(II) Communication between independent directors and the internal audit officer: A total of 4 communication meetings were held between independent directors and the chief internal auditor in 2022. The main communication meetings are as follows:

Date of meeting	Communication with the chief internal auditor		
	Attendees	Matters	Result of communication
2022/3/15	Independent Director Hsiao-Chueh Hsieh Independent Director, Ming-Chu Chen Independent Director, Ming-Chien Tang Chief Internal Auditor, Ming-Fu Lin	1. 2021 Q4 audit performance report and communication. 2. Discussion of the 2021 Internal Control System Statement.	1. The motion was unanimously approved by all attending members without objections, and the motion is ratified. 2. The motion was unanimously approved by all attending members without objection, and submitted to the Board of Directors for resolution.
2022/5/9	Independent Director Hsiao-Chueh Hsieh Independent Director, Ming-Chu Chen	2022 Q1 audit execution report and communication.	The motion was unanimously approved by all attending members without objections, and it is ratified.

	Independent Director, Ming-Chien Tang Chief Internal Auditor, Ming-Fu Lin		
2022/8/8	Independent Director Hsiao-Chueh Hsieh Independent Director, Ming-Chu Chen Independent Director, Ming-Chien Tang Chief Internal Auditor, Ming-Fu Lin	2022 Q2 audit execution report and communication.	The motion was unanimously approved by all attending members without objections, and it is ratified.
2022/11/9	Independent Director Hsiao-Chueh Hsieh Independent Director, Ming-Chu Chen Independent Director, Ming-Chien Tang Chief Internal Auditor, Ming-Fu Lin	1. 2022 Q3 audit performance report and communication. 2. Discussion of the 2023 audit plan.	1. The motion was unanimously approved by all attending members without objections, and the motion is ratified. 2. The motion was unanimously approved by all attending members without objection, and submitted to the Board of Directors for resolution.

(III) Operation of Corporate Governance and the Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Items	State of Operations		Deviation with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof	
	Yes	No		
I. Has the Company established and disclosed its corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?	✓		The Company has established the "Corporate Governance Best Practice Principles", which were discussed and approved by the Board of Directors on November 9, 2021, and the latest amended version is disclosed on the MOPS and on the Company's website from time to time. https://www.shihlin.com.tw/manage.html	No difference
II. Shareholding structure and shareholders' rights				
(I) Has the Company established internal procedures to deal with shareholders' proposals, questions, disputes and litigation matters, and implemented them in accordance with the procedures?	✓		(I) In order to protect the rights and interests of shareholders, the Company, in addition to appointing the stock affairs agent to handle related matters, has also appointed spokespersons and acting spokespersons to exclusively handle shareholders' suggestions, questions and disputes, and fully disclose the contact information on the Company's official website. Shareholders may voice opinions by telephone or e-mail. The Company will handle shareholders' opinions in accordance with relevant operating procedures.	No difference
(II) Does the Company have a list of the major shareholders and the ultimate controllers of the major shareholders who effectively control the Company?	✓		(II) The Company provides information on the shareholders' register and the insider's shareholding change reporting system through the stock affairs agency.	No difference
(III) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	✓		(III) The Company has established the "Supervision and Management of Subsidiaries" and the "Regulations on the Management of Related Party Transaction", which are handled in accordance with the Company's internal control system, and the risk management and control mechanism and the firewall mechanism against the affiliated enterprises are duly implemented.	No difference
(IV) Has the Company established internal regulations to prohibit insiders from trading marketable securities using undisclosed information in the market?	✓		(IV) The Company has established the "Corporate Governance Best Practice Principles," "Procedures for Handling Material Inside Information," "Ethical Corporate Management Principles," and "Procedures for Ethical Management and Guidelines for Conduct," and inform the insiders of the and advocating or arranging advanced insider courses from time to time.	No difference
III. Composition and Responsibilities of the Board of Directors				
(I) Has the Board of Directors formulated diversification policies, specific management objectives and implemented them?	✓		(I) The Board of Directors is composed of members elected by the shareholders. In addition to the independence of the independent directors, the Company also nominates candidates with professional qualifications to be elected by the shareholders in accordance with the business needs of the Company. The Company's current board members come from different professional fields, and there are 2 female members, which is about one-third of the board seats. They can provide diversified opinions on the Board of Directors.	No difference
(II) Has the Company voluntarily established any functional committees other than the Remuneration Committee and Audit Committee in accordance with the law?	✓		(II) The Company has established a Remuneration Committee in accordance with the law, and has established an Audit Committee in 2019. Other functional committees will be evaluated and considered in accordance with actual needs.	The Company will set up other functional committees in the future in accordance with the regulatory requirements and operational needs.
(III) Has the Company established the evaluation guidelines and methods for the Board of Directors' performance, for the regular annual performance evaluation; as well as presents the outcome of such evaluations to be applied to the remuneration of each director and their re-election nominations?	✓		(III) The Company has established the performance evaluation method for the Board of Directors in 2020 and has been conducting regular performance evaluations every year since 2020, and the results of the performance evaluation are reported to the Board of Directors and used as reference for individual Director's remuneration.	No difference
(IV) Does the Company regularly evaluate the independence of the attesting	✓		(IV) The Company regularly evaluates the independence of the attesting CPA on an annual basis. There is no need to change the	No difference

CPA?		attesting CPA at present, and the attesting CPA is not a related party to the Company or the Directors, so there are no concerns about the attesting CPA's independence.	
IV. Does the listed company have a suitable and appropriate number of corporate governance officers and designated a corporate governance officer to be responsible for corporate governance-related matters (including but not limited to providing information necessary for directors and supervisors to perform their business, assisting directors and supervisors to comply with relevant laws and regulations, conducting Board and Shareholders' meeting related matters in accordance with the law, and preparing minutes of board and shareholders' meetings, etc.)?	✓	<p>The Company's Board of Directors resolved at the Board of Directors' meeting held on May 11, 2021 to appoint Vice President Mei-Ju Chen as the corporate governance officer to protect shareholders' rights and interests and to strengthen the functions of the Board of Directors. Vice President Mei-Ju Chen has more than three years of experience as a financial officer of a public company. The corporate governance officer is responsible for conducting Board of Directors' and Shareholders' meetings, preparing minutes of Board of Directors' and shareholders' meetings, assisting directors in their appointment and continuing education, providing information necessary for directors to perform their duties, and assisting directors in complying with laws and regulations.</p> <p>Scope of the authorization:</p> <ol style="list-style-type: none"> 1. Conducting the Board of Directors' and shareholders' meetings, preparing minutes of Board of Directors' and shareholders' meetings, assisting directors and supervisors in their appointment and continuing education, providing information necessary for directors and supervisors to perform their duties, and assisting directors and supervisors in complying with laws and regulations. 2. According to Article 6:24 of Taiwan Stock Exchange Corporation Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers, the listed company shall arrange professional training for its corporate governance officer. The corporate governance officer shall receive at least 18 hours of advanced education within a year from the date of assuming the position, and shall also receive at least 12 hours of advanced education each year. Vice President Mei-Ju Chen, corporate governance officer, completed 12 hours of continuing education in 2022 and complied with regulations. The courses are listed as follows: April 19, 2022 Accounting Research and Development Foundation - The Latest "ESG sustainability" and "Self-Preparation of Financial Statements" Related Regulations Development and Internal Control Management Practices (6 hours) April 26, 2022 Accounting Research and Development Foundation -Practice and Cases of "Labor Law Compliance" in Enterprises (6 hours) May 10, 2022 Accounting Research and Development Foundation - Enterprises Sustainable ESG Legal Compliance-Renewable Energy and Green Energy Investment (6 hours) 	No difference
V. Has the company established communication channels with stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.) and set up a stakeholder area on the company's website, and appropriately respond to important CSR issues of concern to stakeholders?	✓	Currently, a spokesperson or an acting spokesperson serves as the external contact window and the Company has established a public website.	No difference
VI. Does the company appoint an independent stock affairs agency to handle the affairs of the shareholders' meetings?	✓	The Company has appointed KGI Securities Co., Ltd. to conduct shareholders' meetings.	No difference
VII. Information Disclosure			
(I) Has the Company set up a website to disclose financial and corporate governance information?	✓	(I) The Company has established a public website to disclose information on financial operations and corporate governance on a regular basis.	No difference
(II) Has the Company adopted other methods of information disclosure (e.g., setting up an English-language website, designating a person responsible for the collection and disclosure of corporate information, implementing a spokesperson system, and placing corporate presentation sessions on the Company's website)?	✓	(II) The Company has a spokesperson and acting spokesperson system to serve shareholders or stakeholders at all times and has designated a person responsible for collecting information and disseminating material information to the public.	No difference
(III) Does the Company announce and report its annual financial statements within two months after the end of the fiscal year, and announce and report	✓	(III) The Company announces and reports its financial statements and monthly operations within the allowable period prescribed by law.	The Company announces and reports its financial statements and monthly

its first, second and third quarterly financial statements and operations for each month well in advance of the prescribed deadline?			operations within the period prescribed by law.
VIII. Does the Company have other important information that can help with the understanding of the state of the Company's corporate governance (including but not limited to employee rights and benefits, employee care, investor relations, supplier relations, rights of interested parties, the status of continuing education of directors and supervisors, the implementation of risk management policies and risk measurement standards, the implementation of customer policies, the Company's purchase of liability insurance for directors and supervisors, etc.)?	✓	<p>(I) Employee rights: The Company encourages employees to communicate directly with management and directors to appropriately reflect their opinions on the Company's operations and financial condition or on major decisions involving their interests.</p> <p>(II) Employee care: The Company has established an employee Welfare Committee in accordance with the law to provide various welfare benefits and care for employees' injuries and illnesses.</p> <p>(III) Investor relations: The Company has always attached importance to the shareholders' right to be informed, and has a spokesperson to serve the shareholders. The Company convenes shareholders' meetings on a regular basis to discuss major resolutions and complies with the relevant regulations on information disclosure and disclosure of the Company's finance, business operations, insider shareholding, and corporate governance. Information is provided to shareholders on a regular and timely basis using the MOPS or the website set up by the Company.</p> <p>(IV) Supplier relations and stakeholder rights: The Company has a smooth communication channel with banks and other creditors, consumers, suppliers, communities or stakeholders of the Company, and welcomes and respects valuable opinions from the public to protect legitimate rights and interests.</p> <p>(V) Implementation of risk management policies and risk measurement standards: The Company has an audit office that regularly monitors the Company's operations and reports directly to the Audit Committee on a quarterly basis to assist the Audit Committee in monitoring the execution of the Company's business and the due diligence of directors and managers, and to pay attention to the implementation of the Company's internal control system so that the Audit Committee can take appropriate measures in a timely manner to prevent the expansion of possible deficiencies if they are identified, thereby reducing the Company's financial crisis and operational risks.</p> <p>(VI) Implementation of customer policy: The Company makes good use of the convenience of the Internet to set up a website to receive customer complaints and actively respond to customer needs, and to maintain smooth communication management with customers.</p> <p>(VII) The Company purchased liability insurance for Directors and independent Directors: The Company continued the purchase of liability insurance for Directors and independent Directors on March 11, 2022.</p>	No difference
IX. Please provide information on the results of the corporate governance evaluation released by the Corporate Governance Center of the Taiwan Stock Exchange Corporation (TWSE) in the most recent year, and propose priorities and measures to enhance those areas that have not yet been improved.			
Improvements or Priorities and Measures for Enhancement in the 9th Annual Corporate Governance Review of 2022			
Serial No.	Evaluation Indicators	Improved situation or priority enhancements and measures	
1	Has the company formulated a succession plan for members of the board of directors and important management, and disclosed its operation status on the company website or annual report?	This year, the annual report and the company website have disclosed the succession planning of the members of the board of directors and important management.	
2	Does the company have an English-language company website that includes financial, business and corporate governance information?	This year, the English company website will be built in the future, and it will contain financial, business and corporate governance related information.	

(IV) Operation of the Remuneration Committee

The Company has formally established the Remuneration Committee since December 23, 2021. Its main responsibilities and powers include formulating and regularly reviewing directors' and managers' performance evaluation and their salary and compensation policy, system, standards, and structure, while assisting the Board of Directors in implementing and evaluating the remuneration of the Company's directors and managers from a professional and objective perspective.

1. Information on the Remuneration Committee members

Identity (Note 1)	Name	Conditions	Professional qualifications and experience	Independence status	Number of positions as Remuneration Committee member in other public companies
Independent Director (convener)	Ming-Chu Chen		Please refer to Table 1 on page 14 for Information on Directors (I) and related content.	The member, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The member, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Concurrent member of the Remuneration Committee of Wan Hai Lines Co., Ltd.	1
Independent Director	Ming-Chien Tang		Please refer to Table 1 on page 14 for Information on Directors (I) and related content.	The member, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The member, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Concurrent member of the Remuneration Committee of Wan Hai Lines Co., Ltd.	0
Independent Director	Hsiao-Chueh Hsieh		Please refer to Table 1 on page 14 for Information on Directors (I) and related content.	The member, or relatives within the second degree of kinship serve as directors, supervisors, or employees of the Company or its affiliated companies. The member, spouse, or relatives within the second degree of kinship do not own the Company's shares, nor are they held in the name of any third party. Not served as a director, supervisor, or employee of a company specifically related to the Company. For the past two years, there has been no business, legal, financial, or accounting services provided to the Company or its affiliates. Concurrent member of the Remuneration Committee of Wan Hai Lines Co., Ltd.	0

2. Information on the operation of the Remuneration Committee

- (1) There are 3 members in the Company's Remuneration Committee
- (2) The term of office of the members of the current term: From June 14, 2022 to June 13, 2025. Over the last year the Remuneration Committee had held 2 (A) meetings. The qualifications and attendance of the members are as follows:

Title	Name	Actual Attendance B	Number in Attendance by Proxy	Actual Attendance Rate (%) (B/ A)	Remarks
Attendance of the members of the 4th term in non-voting status: (January 1, 2022 to June 13, 2022; 1 Audit Committee meeting was convened in the most recent year) (A)					
Convener	Ming-Chu Chen	1	0	100%	
Committee Members	Ming-Chien Tang	1	0	100%	
Committee Members	Hsiao-Chueh Hsieh	1	0	100%	
Attendance of the 5th term of Audit Committee members: (June 14, 2022, to December 31, 2022; 1 Audit Committee meeting was convened in the most recent year) (A)					
Convener	Ming-Chu Chen	1	0	100%	
Committee Members	Ming-Chien Tang	1	0	100%	
Committee Members	Hsiao-Chueh Hsieh	1	0	100%	
Other items to be recorded:					
I. If the Board of Directors does not adopt or amend the recommendation of the Remuneration Committee, it shall state the date and period of the Board of Directors' meeting, the content of the resolution, the result of the Board of Directors' resolution and the Company's handling of the recommendation of the Remuneration Committee (if the compensation approved by the Board of Directors is better than the recommendation of the Compensation Committee, it shall state the deviation and the reasons thereof): None.					
II. If the members of the Remuneration Committee have objections or reservations to the resolutions and there are records or written statements, they shall state the date and period of the Remuneration Committee, the content of the resolutions, the opinions of all members, and the treatment of the opinions of the members: No such cases have occurred.					

(V) Implementation of Sustainable Development and the Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Promotional Items	Status of Implementation (Note 1)			Deviation with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
I. Has the Company established a governance structure to promote sustainable development, and set up a dedicated (part-time) unit to promote sustainable development, which is authorized by the Board of Directors to be handled by senior management, and the supervision situation of the Board of Directors?	✓		The Company established the "Sustainable Development Committee" in 2022. The committee is responsible for setting, promoting, and supervising sustainable development goals and strategies. On economic, environmental, and social sustainability issues arising from the Company's operations, the Company's sustainability work report is submitted to the Board of Directors at least once a year.	No difference
II. Has the Company, in accordance with the principle of materiality, conduct risk assessments on environmental, social, and corporate governance issues related to the Company's operations, and formulate relevant risk management policies or strategies"? (Note 2)		✓	The management of the Company evaluates the risk assessment of environmental, social and corporate governance issues related to the Company's operations from time to time in accordance with the principle of materiality.	In the future, depending on the authority or legal requirements, we will consider the overall risk assessment of the operation to formulate relevant risk management policies or strategies.
III. Environmental Issues				
(I) Has the Company established a suitable environmental management system according to the characteristics of its industry?	✓		(I) We are committed to maintaining the environment inside and outside the factory, and all environmental and environmental protection are in compliance with the relevant laws and regulations.	No difference
(II) Does the Company strive to improve energy efficiency and use recycled materials that have a low impact on the environment?	✓		(II) We actively use our resources efficiently to reduce waste and cost.	No difference
(III) Does the Company assess the potential risks and opportunities of climate change to the Company's business now and in the future, and take relevant measures in response?	✓		(III) In order to save water resources and energy consumption, we are continuously promoting energy conservation at our plants, focusing mainly on electricity saving measures, and have started a comprehensive energy saving program.	No difference
(IV) Does the Company keep statistics on greenhouse gas emissions, water consumption and total tonnage of waste for the past two years, and develop policies for energy saving and carbon reduction, greenhouse gas reduction,	✓		(IV) The Company is not a high energy-consuming industry and does not install or use facilities that generate large amounts of greenhouse gas. The office area actively promotes energy saving and carbon reduction campaigns, encourages waste separation and recycling and the use of eco-friendly reusable utensils and mugs to reduce the impact on the environment.	No difference

Promotional Items	Status of Implementation (Note 1)			Deviation with the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof
	Yes	No	Summary Description	
water use reduction or other waste management?				
IV. Social Issues				
(I) Has the Company established relevant management policies and procedures in accordance with relevant laws and regulations and international human rights treaties?	✓		(I) The Company recognizes and complies with the “Universal Declaration of Human Rights”, “UN Global Compact”, “United Nations Guiding Principles on Business and Human Rights”, “International Labour Organization - Declaration of Fundamental Principles and Rights at Work” and other international conventions on human rights. Meanwhile, the Company has established work rules for employees and other related management measures in accordance with labor laws and regulations to protect the legitimate rights and interests of employees. An Employee Welfare Committee is also in place to ensure employee welfare. In addition, the Company adopts an open and mutual communication method to promote policies and understand employees' opinions.	No difference
(II) Has the Company established and implemented reasonable employee benefit measures (including compensation, vacation and other benefits, etc.) and appropriately reflected operational performance or results in employee compensation?	✓		(II) In addition to complying with the Labor Standards Act, the Company determines salaries based on their educational background, professional knowledge, and abilities. There is no difference in the salary standards for men and women. In addition to basic salary, employees also receive year-end bonuses. The Company has established comprehensive rules and regulations, including work rules, employee evaluation, education and training, year-end bonuses, etc., to clarify the effective reward and disciplinary system.	No difference
(III) Does the Company provide a safe and healthy work environment for employees and implement regular safety and health education for employees?	✓		(III) The Company provides employees with physical health examinations on a regular basis every year. In order to prevent occupational disasters and protect the safety and health of employees, the Company has especially established the safety and health work rules to ensure the safety and health of employees, and actively and effectively prevent occupational disasters.	No difference
(IV) Does the Company have an effective career development program for employees?	✓		(IV) The Company assigns relevant employees to accept further training and education provided by competent authorities from time to time.	No difference
(V) Does the Company comply with relevant laws and regulations and international standards regarding customer health and safety, customer privacy, marketing and labeling of products and services, and has it established relevant consumer or customer protection policies and complaint procedures?	✓		(V) The Company follows relevant regulations and international standards for product development, service, marketing and labeling.	No difference
(VI) Has the Company formulated supplier management policies that require suppliers to follow relevant regulations on issues such as environmental protection, occupational safety and health, or labor rights, and monitor their implementation?	✓		(VI) The Company evaluates its major suppliers on a regular basis. If there is any violation of its corporate social responsibility and significant impact on the environment and society, it will be listed as a supplier under observation immediately and counseling and improvement will be provided.	No difference
V. Has the Company prepared its non-financial reports, such as a sustainability report in accordance with the internationally-used reporting standards or guidelines? Did the Company obtain confirmation or assurance from a third-party verifier for the preceding report?		✓	The Company's sustainability report was prepared with reference to the GRI Standards.	In the future, depending on the requirements of the competent authority or laws and regulations, obtain assurance or guarantee opinions from third-party verifiers for the sustainability report.
VI. If the Company has established its own sustainability principles in accordance with the “ Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies,” please describe the current practices and any deviations from the best practice principles: The Company has not yet established any sustainability best practices principles. The actual operation is in line with the rules.				
VII. Other important information to help understand the promotion of sustainable development:				
Serial No.	Objective/Target	Program	Implementation Status	
1	Installation of leakage protection device and power cord protection line	Wire (Cable) Leakage Improvement Program	Installing leakage protection device and power line protection piping to prevent power line leakage.	
2	Markings with “No Fire and Smoke” to comply with the fire- protection facility regulations and established a hot work operation permit mechanism.	Hot Work Approval and Safety Enhancement Program	Contractors and public works units are required to fill out a permit to start hot work in the plant, and the work is supervised by special personnel during construction.	
3	Contractor Occupational Safety and Health Management	Contractor Occupational Safety and Health Management Improvement Program	The construction workers are required to complete safety and health education and training and have a “Hazardous Factor Notice” issued before entering the plant, and strengthen supervision and operation inspection when entering the plant.	
4	Occupational Disaster Investigation and Analysis Management	Collection and arrangement of occupational hazard analysis reports	Based on the analysis results, protection improvement and hazard education reminders for operators.	
5	Safety and Health Education and Training	Annual education and training plan submission requirements	Units apply and arranges training and control reminders.	

Note 1. If the “Yes” box is checked for the implementation status, please specify the important policies, strategies, measures, and implementation status; if the “No” box is checked for the implementation status, please explain the deviations and reasons in the “Deviation from the Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor” column, and explain the plans for future implementation of relevant policies, strategies and measures. However, with regards to promotional items 1 and 2, the TWSE/TPEX listed company shall describe its sustainable development governance and supervision structure, including but not limited to management approach, strategy, goal setting, and review measures. It also describes the Company's risk management policies or strategies on environmental, social, and corporate governance issues related to its operations, and its evaluation.

Note 2. The principle of materiality refers to those which have a significant impact on the Company's investors and other interested parties regarding environmental, social and corporate governance issues.

Note 3. Please refer to the best practice reference examples on the website of the Corporate Governance Center of the Taiwan Stock Exchange for disclosure methods.

(VI) Status of the Ethical Corporate Management and the Deviation from the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Reasons Thereof

Evaluation Items	Operating Conditions (Note)		Summary Description	Deviation with the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies” and reasons thereof
	Yes	No		
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Does the Company have an ethical management policy approved by the Board of Directors, and does the Company express its policy and practices on ethical management in its bylaws and external documents, as well as the commitment of the Board of Directors and senior management to actively implement the management policy?	✓		(I) In order to establish a corporate culture of ethics and sound development of the Company, and to implement good corporate governance and risk control mechanisms to create a sustainable business environment, the Company established the “Ethical Corporate Management Principles” on December 10, 2021, with reference to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”.	No difference
(II) Does the Company establish a mechanism to assess the risk of unethical behavior, regularly analyze and evaluate business activities within the scope of business that has a higher risk of unethical behavior, and establish a plan to prevent unethical behavior accordingly, and cover at least the preventive measures for each act in Article 7, Paragraph 2 of the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”?	✓		(II) The Company has established the “Procedures for Ethical Management and Guidelines for Conduct” to regulate the specific ethical management practices and prevention of unethical behavior, including the operating procedures, guidelines for conduct, and the establishment of a publicity, reward, and punishment, complaint system, and disciplinary action. Regulate the precautions that personnel should be aware of when conducting business, and prohibit the offering or acceptance of improper benefits in order to prevent unethical behavior.	No difference
(III) Does the Company specify the operating procedures, guidelines for conduct, disciplinary and grievance systems for non-compliance in its unethical behavior prevention program, implement them, and regularly review and revise the previously disclosed program?	✓		(III) The Company has formulated preventive plans and measures against the acceptance of improper benefits, political contributions, donations or sponsorships, infringement of intellectual property rights, conflicts of interest, leakage of trade secrets, insider trading, etc. in the “Procedures for Ethical Management and Guidelines for Conduct”.	No difference
II. Implementing Corporate Ethical Management				
(I) Does the Company evaluate the integrity of records of its counterparties and specify the terms of ethical behavior in the contracts it signs with its counterparties?	✓		(I) The Company conducts regular supplier evaluations annually and will refuse to deal with suppliers with a record of unethical behavior.	No difference
(II) Does the Company have a dedicated unit under the Board of Directors to promote corporate ethical principles, and report to the Board of Directors on a regular basis(at least once a year)on its integrity management policies and plans to prevent unethical behavior and monitor their implementation?	✓		(II) The Company's President's Office is responsible for promoting the formulation and supervising the implementation of policies and preventive programs for ethical corporate management, assisting the Board of Directors and management in checking and evaluating whether the preventive measures established for ethical corporate management are operating effectively, reviewing the appropriateness and effectiveness of the preventive programs, and regularly (once a year) reporting to the Board of Directors on its implementation.	No difference
(III) Does the company have a conflict-of-interest prevention policy, provide a channel for proper representation, and implement it?	✓		(III) The Company has established policies intended to prevent conflicts of interest and provides appropriate channels for employees to provide information and report any unethical behaviors at any time.	No difference
(IV) Has the Company established an effective accounting system and internal control system for the implementation of ethical management, and has the internal audit unit prepared a relevant audit plan based on the assessment results of the risk of unethical behavior, and reviewed the	✓		(IV) The Company established an accounting system in accordance with the relevant laws and regulations and with the international accounting standards, interpretations and explanatory pronouncements approved by the Financial Supervisory Commission, taking into account the characteristics of the industry, so that the Company's accounting matters, (including accounting certificates, accounting books, classification of	No difference

Evaluation Items	Operating Conditions (Note)			Deviation with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof
	Yes	No	Summary Description	
compliance of the unethical behavior prevention plan accordingly, or appointed an accountant to perform an audit?			accounting items, types of financial statements and various accounting standards and procedures, etc.) can be followed in line with accepted standards, ensuring that accurate and reliable accounting information can be provided on a regular basis for the management's reference. Through the implementation of the procedures and regulations related to the accounting system, the Company's operating activities can be operated in accordance with strict operational regulations, so that all operations can be collated with each other to prevent the occurrence of malpractice and safeguard the safety of the Company's assets. The Company designs and implements an internal control system taking into account the overall operational activities and reviews it from time to time in response to changes in the Company's internal and external environment to ensure that the system is designed and implemented in an effective manner. In accordance with the audit plan, internal auditors may conduct on-site audits at the audited units on a regular or irregular basis, and may request the audited units to submit documents, books, and certificates for documentary reference, and if necessary, conduct project audits on specific topics, and submit audit reports with working drafts and related information to the Board of Directors.	
(V) Does the company regularly conduct internal and external education and training on ethical management?	✓		(V) The Company has a dedicated unit that promotes education for all employees to enhance the concept of integrity and self-discipline. The scope of education covers integrity, ethical behavior, business secrets, and anti-corruption and anti-bribery.	No difference
III. Operation of the whistleblowing System (I) Does the Company have a specific whistleblower and reward system, and has it established a convenient whistleblower channel and assigned appropriate staff to receive whistleblowing reports?	✓		(I) The Company has established a "Code of Ethical Behavior" and a whistle-blowing hotline in the whistle-blowing system, where whistle-blowers may report matters directly to the President's Office. Employees who violate the regulations will be punished in accordance with the "Work Rules For Employees"; if the report is true, the whistleblower will be given appropriate rewards in accordance with the "Work Rules For Employees."	No difference
(II) Does the Company have standard operating procedures for the investigation of whistleblowing matters, follow-up measures to be taken after the completion of the investigation, and relevant confidentiality mechanisms?	✓		(II) The "Code of Ethical Conduct" of the Company provides for relevant regulations on whistleblowing. The President's Office will keep the personal information of the complainant or whistleblower confidential in order to prevent them from being mistreated.	No difference
(III) Does the Company take measures to protect whistleblowers from improper treatment as a result of reporting unethical behavior?	✓		(III) The relevant personnel of the Company shall keep the confidentiality during the process of handling complaints or whistleblowing, and those who divulge the secrets will be punished. Any retaliation against the complainant or the whistleblower will also be subject to heavier penalties.	No difference
IV. Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the MOPS?	✓		The Company's Ethical Corporate Management Principles and related information are disclosed on the Company's website and the Market Observation Post System. Observation station. The personnel of the Company is responsible for the collection, disclosure, and regular updating. However, from time to time, the Company has reminded its employees of ethical behavior best practices through announcements on internal bulletin boards and e-mail.	No difference
V. If the Company has its own Ethical Corporate Management Principles established in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please describe the differences between the two: The Company has established Ethical Corporate Management Principles and announced them on the Company's website. The Company's operations are consistent with the principles established.				
VI. Other important information to help understand the Company's ethical operations (e.g., the Company reviews and sets its own Ethical Corporate Management Principles): To improve corporate social responsibility and implement ethical management, the Company reminds the employees to monitor their conduct and ethics on the billboard from time to time.				

Note: The operation should be described in the summary description field, regardless of whether "Yes" or "No" is checked.

(VII) If the Company Has Formulated the Corporate Governance Best Practice Principles and Relevant Regulations, the Inquiry Methods Shall be Disclosed:

The Company has established the “Corporate Governance Best Practice Principles” according to the resolution of the board of directors on November 9, 2021, and has disclosed its full content on the Company’s website and the MOPS website. Please visit the Company’s website: <https://www.shihlin.com.tw>, or the MOPS website: <https://mops.twse.com.tw>, to inquire and view corporate governance-related important rules and regulations. All important financial information is disclosed in the “Information for Investors” section on the Company's website.

(VIII) Other Important Information That Facilitates Better Understanding of the Operation of the Company’s Corporate Governance

1. Important financial information is posted on the Company's website under the “Investor Services” section, as well as the “Stakeholders” section.
2. The Company has established a comprehensive internal control system and an internal audit system, and has established an annual audit plan, which is submitted to the Board of Directors for approval in accordance with the regulations and is reported to the competent authorities on a regular basis each year. The statement of the internal control system is issued based on the audit report of the audit office after the audit committee agrees and is submitted to the Board of Directors for approval and reported to the competent authorities.
3. The Company prepares (amends) important financial regulations such as “Procedures for Endorsement and Guarantee”, “Procedures for Lending Funds to Others”, “Procedures for Acquisition or Disposal of Assets”, and “Procedures for Derivative Transactions” by law and submits them to the Board of Directors and shareholders' meeting for approval.

(IX) Disclosure of Necessary Matters Related to the Implementation of the Internal Control System

1. Statement on Internal Control

Shihlin Paper Co., Ltd.
Statement on the Internal Control System

Date: March 13, 2023

The results of self-evaluation of the Company's internal control system in 2022 is hereby disclosed below:

- I. The Company is clearly aware that the establishment, implementation, and maintenance of an internal control system is the responsibility of the Company's Board of Directors and managers, and therefore the Company has established such a system. It aims to provide reasonable assurance about the achieving of the goals of operational effectiveness and efficiency (including profit, performance, and asset security protection), reporting reliability, timeliness, and transparency, as well as compliance with relevant laws and regulations.
- II. The internal control system has its inherent limitations. No matter how complete the design is, an effective internal control system can only provide reasonable assurance about the achieving of the three goals above; also, due to changes in the environment and conditions, the effectiveness of the internal control system may vary. However, the Company's internal control system is equipped with a self-monitoring mechanism. Once a defect is identified, the Company will take action to rectify it.
- III. The Company exercise judgment on whether the design and implementation of the internal control system are effective based on the items used to judge the effectiveness of the internal control system stipulated in the Regulations Governing Establishment of Internal Control Systems by Public Companies (hereinafter referred to as the "Regulations"). The items adopted in the Regulations to judge the effectiveness of the internal control system in the "Regulations" are based on the process of management control, and the internal control system is divided into five elements: 1. control environment, 2. risk assessment, 3. control operations, 4. information and communication, and 5. supervisory operations. Each element includes a couple of items For said items, please refer to the Regulations.
- IV. The Company has adopted said judgment items to evaluate the effectiveness of the design and implementation of the internal control system.
- V. Based on the evaluation results of the preceding paragraph, the Company believes that its internal control system (including supervision and management of subsidiaries) as of December 31, 2022, including understanding of the effectiveness of the operations and the extent to which efficiency goals are achieved, and the reporting are reliable, timely, transparent, and the relevant design and implementation of the internal control system regarding compliance with

relevant laws and regulations are effective; therefore, it can provide reasonable assurance about the fact that it has achieved the goals above.

- VI. This statement will be included in the main content of the Company's annual report and prospectus, and will be made available to the public. Where there are false or concealed contents in the statement above, the Company shall be legally liable under Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.
- VII. This statement was approved by the Company's Board of Directors on March 13, 2023. Among the seven directors present, all of them approved the content of this statement without any of them expressing objections. It is hereby certified that the information disclosed herein is true and correct.

Signature/Seal of Shihlin Paper Industry Co., Ltd.

Chairman: Tai Shih Trading Co., Ltd. Signature

President: Cheng-Che Tsai

2. Where CPAs are appointed to conduct ad-hoc review of the internal control system, the review report issued by the CPAs shall be disclosed.

None.

- (X) In the Last Year and As of the Publication Date of the Annual Report, Where Has the Company and Its Internal Personnel been Imposed with Any Penalty in accordance with the Law, or the Company Has Imposed Any Penalty on Its Internal Personnel for Violating the Provisions of the Internal Control System, and the Results of Said Penalty May Have a Material Impact on Shareholders' Equity or Securities Prices, the Details of Said Penalty, Main Deficiencies, and Improvements Shall be Specified

None.

- (XI) In the Last Year and As of the Publication Date of the Annual Report, Important Resolutions of the Shareholders' Meetings and Board of Directors

1. Important resolutions of the shareholders' meeting:

Time	Recognitions and Resolutions																
2022 General Shareholders' Meeting (June 14, 2022)	<p>The following matters are recognized</p> <p>I. Subject: Please proceed to ratify the 2021 Financial Statements and Business Report. Resolution: Passed by means of electronic and on-site voting.</p> <p>II. Subject: Please proceed to ratify the 2021 Deficit Compensation Statement. Resolution: Passed by means of electronic and on-site voting.</p> <p>Discussion Items:</p> <p>I. Subject: Please proceed to discuss and approve the amendment to the Company's "Procedures for the Acquisition or Disposal of Assets" Resolution: Passed by means of electronic and on-site voting.</p> <p>II. Subject: Please proceed to discuss and approve the amendment to the Company's "Procedures for Endorsement and Guarantee". Resolution: Passed by means of electronic and on-site voting.</p> <p>Election Items: Subject: Please proceed to elect the 25th Term of Directors (including Independent Directors). Election results: The elected directors are listed as follows</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Title</th> <th style="text-align: center;">Name</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Director</td> <td>Tai Shih Trading Co., Ltd.</td> </tr> <tr> <td style="text-align: center;">Director</td> <td>Yee Tzao Enterprise Co., Ltd.</td> </tr> <tr> <td style="text-align: center;">Director</td> <td>Yi Hsiang Industrial Co., Ltd.</td> </tr> <tr> <td style="text-align: center;">Director</td> <td>Taiwan Evervaliant Corp.</td> </tr> <tr> <td style="text-align: center;">Independent Director</td> <td>Ming-Chu Chen</td> </tr> <tr> <td style="text-align: center;">Independent Director</td> <td>Ming-Chien Tang</td> </tr> <tr> <td style="text-align: center;">Independent Director</td> <td>Hsiao-Chueh Hsieh</td> </tr> </tbody> </table> <p>Other Motions: Subject: Please proceed to discuss and approve the release of the non-compete restriction on the 25th term of directors. Resolution: Passed by means of electronic and on-site voting.</p>	Title	Name	Director	Tai Shih Trading Co., Ltd.	Director	Yee Tzao Enterprise Co., Ltd.	Director	Yi Hsiang Industrial Co., Ltd.	Director	Taiwan Evervaliant Corp.	Independent Director	Ming-Chu Chen	Independent Director	Ming-Chien Tang	Independent Director	Hsiao-Chueh Hsieh
Title	Name																
Director	Tai Shih Trading Co., Ltd.																
Director	Yee Tzao Enterprise Co., Ltd.																
Director	Yi Hsiang Industrial Co., Ltd.																
Director	Taiwan Evervaliant Corp.																
Independent Director	Ming-Chu Chen																
Independent Director	Ming-Chien Tang																
Independent Director	Hsiao-Chueh Hsieh																

2. Important resolutions of the Board of Directors:

Time	Resolutions	
The 17th meeting of the 24th Board of Directors (May 9, 2022)	Subject:	Please proceed to discuss and approve the GHG inventory and verification schedule.
	Resolution:	Unanimously approved by all attending directors and independent directors at the chairperson's inquiry.
The 1st meeting of the 25th Board of Directors (June 14, 2022)	Subject:	Election of the 25th Chairman.
	Resolution:	Nomination of Tai Shih Trading Co., Ltd. (representative of Po-Ting Chen) as the Chairman of the 25th term, and it was unanimously approved by all attending directors and independent directors at the chairperson's inquiry.
The 2nd meeting of the 25th Board of Directors (August 8, 2022)	Subject:	Please proceed to discuss and approve the proposal for the Company's "Code of Ethical Conduct".
	Resolution:	Unanimously approved by all attending directors and independent directors at the chairperson's inquiry.
The 3rd meeting of the 25th Board of Directors (November 9, 2022)	Subject:	Please proceed to discuss and approve the amendment to the "Rules of Procedure of Board of Directors' Meetings" of the Company.
	Subject:	Please proceed to discuss and approve the amendment to the "Procedures for Handling Material Inside Information".
	Subject:	Please proceed to discuss and approve the proposal for the capital increase in cash by subsidiary, Shihlin Environment Corporation.
	Subject:	Please proceed to discuss and approve the proposal for the Company's 2023 audit plan.
	Subject:	Please proceed to discuss and approve the appointment of the Company's 5th Remuneration Committee members.
	Resolution:	Unanimously approved by all attending directors and independent directors at the chairperson's inquiry.
The 4th meeting of the 25th Board of Directors (December 12, 2022)	Subject:	Please proceed to discuss and approve the proposal for the capital increase in cash by the subsidiary, Sunnyfield Shihlin Co., Ltd.
	Subject:	Please proceed to discuss and approve the Company's 2023 annual budget.
	Subject:	Please proceed to discuss and approve the proposal for the Company's "Procedures for Ethical Management and Guidelines for Conduct".
	Subject:	Report on the Implementation of Integrity Management in 2022.
	Subject:	To evaluate the current compensation and performance targets of the Company's managers for 2022, and to propose the contents and amounts of individual compensation in accordance with the compensation system and rules for managers approved by Remuneration Committee.
	Resolution:	Unanimously approved by all attending directors and independent directors at the chairperson's inquiry.

(XII) In the Last Year and As of the Publication Date of the Annual Report, Where the Directors or Supervisors Have Different Opinions on Important Resolutions Passed by the Board of Directors on Records or in a Written Statement, the Main Content Shall be Specified

None.

(XIII) In the Last Year and As of the Publication Date of the Annual Report, An Aggregate Information on the Resignation and Dismissal of the Company's Chairman, President, Accounting Officer, Financial Manager, Chief Internal Auditor, Corporate Governance Officer, and R&D Manager

None.

V. Information on CPAs' Audit Fees

Unit: NT\$ thousand

Name of Accounting Firm	Name of Attesting CPAs	Audit Period	Audit Fees	Non-Audit Fees	Total	Remarks
Earnest & Co., CPAs.	Yu-Ling Hung	2022.01.01~2022.12.31	1,550	26	1,576	
	Min-Chih Cho	2022.01.01~2022.12.31				

Note: If the Company replaced its CPAs or CPA firm during the year, please indicate the audit period and the reason for the replacement in the remarks column, and disclose the information of audit and non-audit fees paid in order. The non-audit fees should be accompanied by a note describing the services provided.

VI. Information on CPA Replacement:

The financial statements were originally certified by Yu-Ling Hung and Min-Chih Cho, who were replaced by Yu-Ling Hung and Wen-Ting Hsiang since the first quarter of 2022 due to the need for adjustment to the internal operations of Earnest & Co., CPAs.

VII. Where the Company's Chairman, President, or Managers in Charge of Financial or Accounting Affairs Have Worked in the CPA Firm at Which the CPAs Appointed Work or Its Affiliates Within the Last Year

None

VIII. In the Last Year and As of the Publication Date of the Annual Report, Equity Transfer and Changes in Pledged Equity by Directors, Supervisors, Managers, and Shareholders Whose Shareholding Ratio Exceeds 10%.

Title	Name	2022		As of April 7, 2023		Remarks
		Increase (Decrease) in the number of shares held	Increase (Decrease) in the number of shares pledged	Increase (Decrease) in the number of shares held	Increase (Decrease) in the number of shares pledged	
Chairman	Tai Shih Trading Co., Ltd.	0	0	0	0	
Director	Yee Tzao Enterprise Co., Ltd.	0	0	0	0	
Director	Yi Hsiang Industrial Co., Ltd.	0	0	0	0	
Director	Taiwan Evervaliant Corp.	0	0	0	0	Resigned on December 6, 2022
Independent Director	Ming-Chu Chen	0	0	0	0	
Independent Director	Ming-Chien Tang	0	0	0	0	
Independent Director	Hsiao-Chueh Hsieh	0	0	0	0	
President	Cheng-Che Tsai	0	0	0	0	
Vice President	Mei-Ju Chen	0	0	0	0	
Assistant Vice President	Hung-Chu Li	0	0	0	0	
Manager	Ni-Ru Lin	0	0	0	0	

IX. Information on the Top Ten Shareholders with the Highest Shareholding Ratio are Related Parties, Spouse, or Relatives Within Second Degree of Kinship to Each Other:

April 7, 2023

Name (Note 1)	Shares Held		Shareholding of spouse and underage children		Total shareholdings held in the name of others		The names and relationships of the top ten shareholders who are related to each other or who are related to each other as spouses or second-degree relatives.		Remarks
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage	Name (or name)	Relationship	
Wan Hai Charitable Foundation Representative: Po-Ting Chen	18,150,259 3,884,108	6.98% 1.49%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Tai Quan Investment Co., Ltd. Representative: Cheng-Chih Chen	17,986,525 6,138,389	6.92% 2.36%	0 0	0% 0%	0 0	0% 0%	None Cheng-Ti Chen	None Siblings	
Yeong Yi Asia Corp. Representative: Chih-Yuan Chen	16,521,434 751,826	6.35% 0.29%	0 263,319	0% 0.10%	0 0	0% 0%	None None	None None	
Taiwan Evervaliant Corp. Representative: Ching-Chi Chen	12,674,381 0	4.87% 0.00%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Wan Hai Lines Ltd. Representative: Po-Ting Chen	10,704,088 3,884,108	4.12% 1.49%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Cheng-Ti Chen	9,011,204	3.47%	0	0%	0	0%	Cheng-Chih Chen	Siblings	
Euconomy Investment Corporation Representative: Yun-Yu Chiu	8,800,000 0	3.38% 0%	0 0	0% 0%	0 0	0% 0%	None None	None None	
Pictet Bank Investment Account under custody of HSBC Bank	8,748,346	3.36%	0	0%	0	0%	None	None	
Shih-Teng Lin	8,072,437	3.10%	0	0%	0	0%	None	None	
Cheng-Chih Chen	6,138,389	2.36%	0	0%	0	0%	Cheng-Ti Chen	Siblings	

Note 1: All the top ten shareholders shall be listed. In the case of institutional shareholders, the names of the institutional shareholders and the names of their representatives shall be listed separately.

Note 2: The shareholding ratio refers to the shareholding ratios of oneself and by nominee arrangement, including spouse and minor children.

Note 3: For the shareholders listed above, including juridical and natural persons, their relationship between each other in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers shall be disclosed.

X. The Number of Shares Held by the Company, Its Directors, Supervisors, Managers, and Businesses Directly or Indirectly Controlled by the Company in the Same Investee, and the Combined Shareholding Ratio Shall be Calculated

April 7, 2023; Unit: Share; %

Invested enterprise (Note)	Investments by the Company		Directly or Indirectly Controlled Businesses and Investments of Company Directors, Supervisors, and Managers		Consolidated Investments	
	Shares	Shareholding percentage	Shares	Shareholding percentage	Shares	Shareholding percentage
Shihlin Environment Corporation	11,500,000	100.00%	0	0.00%	11,500,000	100.00%
Sunshine Shihlin Development Co., Ltd.	200,100,000	100.00%	0	0.00%	200,100,000	100.00%
Sunnyfield Shihlin Co., Ltd.	30,000,000	100.00%	0	0.00%	30,000,000	100.00%
Da Di Urban Renewal Construction Co., Ltd.	100,000	100.00%	0	0.00%	100,000	100.00%

Note: The Company's Investment under Equity Method

Four. Fundraising

I. Capital and Shares

(I) Sources of capital

Unit: Share; NTS

Year and Month	Issue price	Authorized capital		Paid-in capital stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid in properties other than cash	Others
1994.09.03	10	250,000,000	2,500,000,000	202,706,600	2,027,064,600	Capitalization of earnings by NTS\$156,636,810	None	
						Capitalization of capital surplus by NTS\$27,641,790		
1995.09.24	10	250,000,000	2,500,000,000	207,774,122	2,077,741,220	Capitalization of earnings by NTS\$50,676,620	None	
1997.08.31	10	250,000,000	2,500,000,000	222,941,633	2,229,416,330	Capitalization of capital surplus by NTS\$151,675,110	None	
1999.08.31	10	250,000,000	2,500,000,000	240,776,964	2,407,769,640	Capitalization of capital surplus by NTS\$178,353,310	None	
2001.09.01	10	280,000,000	2,800,000,000	260,039,121	2,600,391,210	Capitalization of capital surplus by NTS\$192,621,570	None	

Type of shares

Type of shares	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Ordinary shares	260,039,121	19,960,879	280,000,000	

Note: Listed stocks in circulation.

(II) Structure of shareholders

April 7, 2023

Structure of shareholders	Government agency	Financial institution	Other juridical persons	Individual	Foreign institution and individual	Total
Count						
Number	1	1	186	23,450	53	23,691
Number of shares held	191	1,080	121,354,142	106,215,938	32,467,770	260,039,121
Shareholding percentage	0.00%	0.00%	46.67%	40.85%	12.48%	100.00%

Note: For TWSE- (TPEX-) primary listed foreign companies, the proportion of their shares held by the entities in mainland China shall be disclosed. The entities in mainland China refers to the people, juridical persons, organizations, other institutions, or companies in a third regions as stipulated in Article 3 of the Regulations on the Permits for People from Mainland China to Invest in Taiwan.

(III) Equity Distribution

April 7, 2023

Range of Shareholdings	Number of shareholders	Number of shares held	Shareholding ratio
1 ~ 999	19,275	976,706	0.38%
1,000 ~ 10,000	3,728	9,946,802	3.83%
10,001 ~ 20,000	259	3,891,311	1.50%
20,001 ~ 30,000	103	2,640,963	1.02%
30,001 ~ 40,000	43	1,520,364	0.58%
40,001 ~ 50,000	41	1,864,015	0.72%
50,001 ~ 100,000	85	5,967,903	2.30%
100,001 ~ 200,000	62	8,862,262	3.41%
200,001 ~ 400,000	30	8,651,671	3.33%
400,001 ~ 600,000	12	5,966,340	2.29%
600,001 ~ 800,000	5	3,767,460	1.45%
800,001 ~ 1,000,000	6	5,296,302	2.04%
1,000,001 or more	42	200,687,022	77.18%
Total	23,691	260,039,121	100.00%

(IV) List of major shareholders: The names of shareholders holding at least 5% of the shares or the top ten shareholders with the highest shareholding ratios

April 7, 2023

Name of major shareholder	Shares	Number of shares held	Percentage of Shareholding
Wan Hai Charitable Foundation		18,150,259	6.98%
Tai Quan Investment Co., Ltd.		17,986,525	6.92%
Yeong Yi Asia Corp.		16,521,434	6.35%
Taiwan Evervaliant Corp.		12,674,381	4.87%
Wan Hai Lines Ltd.		10,704,088	4.12%
Cheng-Ti Chen		9,011,204	3.47%
Economy Investment Corporation		8,800,000	3.38%
HSBC Bank (Taiwan) Limited		8,748,346	3.36%
Shih-Teng Lin		8,072,437	3.10%
Cheng-Chih Chen		6,138,389	2.36%

(V) Market price, net worth, earnings, and dividend per share, and relevant information in the last two years

Item		Year	2021	2022	As of March 31, 2023 of the current fiscal year
Market price per share (Note 1)	Highest		78.80	65.80	50.70
	Lowest		46.36	47.60	42.45
	Average		60.68	56.49	47.49
Net worth per share (Note 2)	Before distribution		32.52	19.86	18.03
	After dividend		32.52	19.86	18.03
Earnings per share	Weighted average number of shares		260,039,121	260,039,121	260,039,121
	Earnings per share (Note 3)		0.32	0.81	(0.14)
Dividend per share	Cash dividend		0.00	0.00	0.00
	Stock dividend	Stock dividend from retained earnings	0.00	0.00	0.00
		Stock dividend from capital surplus	0.00	0.00	0.00
	Cumulative unpaid dividends (Note 4)		0.00	0.00	0.00
Return on investment analysis	Price-to-earning ratio (Note 5)		189.63	69.74	(339.21)
	Price to dividend ratio (Note 6)		-	-	-
	Cash dividend yield (Note 7)		0.00	0.00	0.00

*In the case of capitalization of earnings or capitalization of capital surplus, the information on market price and cash dividend that is retrospectively adjusted according to the number of outstanding shares shall be disclosed.

Note 1: List the highest and lowest market prices of common stocks for each year, and calculate the average market prices for each year based on the transaction value and volume for each year.

Note 2: Please enter the number of outstanding shares at the end of the year based on what is resolved by the shareholders' meeting in the following year.

Note 3: In the case of retrospective adjustment due to stock dividends, the earnings per share before and after the adjustment shall be entered.

Note 4: Where the equity-based securities issue conditions stipulate that the dividends not paid in the current year will be accumulated to the year when there is a surplus, the amount of the dividends accumulated and not paid up to the current year shall be disclosed separately.

Note 5: Price-to-earnings ratio = Average closing price per share for the year/Earnings per share.

Note 6: Price-to-dividend ratio = Average closing price per share for the year/Cash dividend per share.

Note 7: Cash dividend yield = Cash dividend per share/Average closing price per share for the year.

Note 8: In the Last Year and As of the Publication Date of the Annual Report, the net value per share and earnings per share should be filled in with the information verified (reviewed) by an accountant; the remaining fields should be filled in with the data of the current year ending on the date of publication of the annual report.

(VI) The Company's dividend policy and implementation status:

1. Dividend per share

Item		Year	2021	2022
Cash dividend			0	0
Stock dividend	Stock dividend from retained earnings		0	0
	Stock dividend from capital surplus		0	0
Cumulative unpaid dividends			0	0

2. Dividend policy

Where there is a surplus in the Company's annual final accounts, the Company shall first pay taxes and compensate the accumulated losses; then, appropriate 10% of the balance for legal reserve and another 10% for the payment for dividends. If there is still a surplus, the shareholders' meeting shall decide on the distribution of shareholders' dividends.

The Company's industrial environment is ever-changing and it is at a stage of development. The Company shall consider the overall industrial environment and take into account the long-term financial planning and future capital needs to achieve stable development and sustainable operation.

The Company's dividend policy is based on the current year's profitability and the consideration for the Company's future growth, capital budgeting, and measurement of capital needs. After the Company retains earnings or reserves the fund needed for stock dividends, the remaining surplus will be allocated for cash dividends.

(VII) The impact of the stock dividend proposed for the shareholders' meeting on the Company's operating performance and earnings per share

None

(VIII) Remuneration of employees and directors

1. The percentage of the remuneration of employees and directors or scope thereof stipulated in the Articles of Incorporation:
 - (1) Where the Company makes a profit at the end of the year, it shall allocate 1% of the balance for employee remuneration. However, where there are accumulated losses, an equivalent amount shall be appropriated to compensate for the losses.
 - (2) Employees entitled to receive the employee remuneration, distributed in the form of stock or cash, in the preceding paragraph include the employees of subordinate companies who meet certain criteria.
2. The basis for estimation of the amount of remuneration of employees and directors for the period, the basis for calculation of the number of shares for employee compensation distributed in stock, and the accounting treatment when the actual amount distributed is different from the estimated amount: Since the Company's business indicated accumulated loss for 2022, employee bonuses were not estimated.
3. Remuneration allocation approved by the Board of Directors: None.
4. In the case of any difference between the remuneration of employees and remuneration of directors and actually distributed for the prior year and the employee compensation and remuneration of directors and supervisors recognized, the amount of differences, reasons, and treatment shall be specified: Since the Company's business indicated accumulated loss for

2021, no remuneration of employees was estimated. In addition, the disclosure of information related to employees is not applicable to the Company.

(IX) Repurchase of the Company's shares

None.

II. Issue of corporate bonds

None.

III. Issue of preferred stock

None.

IV. Issue of overseas depositary receipts

None.

V. Issue of employee stock warrants

None.

VI. Issue of new restricted employee shares

None.

VII. Issue of new shares for mergers and acquisitions of or transfer of shares from another company

None.

VIII. The implementation of the fund utilization plan

None.

Five. Overview of Operations

I. Information on Business:

(I) Scope of business:

1. Baby Lion:

- (1) Business of products under its own brand, including wet wipes, anti-mosquito and anti-pandemic products, and baby wash and care products.
- (2) Sales of paper towels, anti-mosquito and anti-pandemic products, and baby wash and care products.
- (3) The promotion and development of mini packet pack collection of wet wipes, private napkin, anti-mosquito and anti-pandemic products, and baby wash and care products.

2. skincare products:

- (1) Business of the skincare products under its own brand of skincare Forest Beauty
- (2) Sales of facial masks and relevant skincare products.
- (3) Promotion and development of products of the Forest Nut plant extract collection and basic skincare products.

3. Investment in relevant businesses and the businesses under the Statute for the Encouragement of Investment.

4. Commissioning of builders to build commercial buildings, public housing projects, leasing, and sales.

5. Hotel rental business.

(II) Overview of Industry:

1. Baby Lion:

- (1) Despite the impact of declining birthrates, to meet parents' requirements for baby products, the Company has developed natural, safe, and effective products with potential rapidly, including anti-mosquito and anti-pandemic products and baby wash and care products; also, it has introduced adult wet wipes and women private cleaning wet wipes, as well as anti-pandemic series products (alcohol wipes, alcohol spray, alcohol refill jar) launched in 2021, to provide more protective and safe home products.
- (2) Due to the rising awareness of environmental protection, the government has paid more attention to the cleanliness of the home environment; thus, the Company will not only focus on good quality but environmental protection in the future; pollution reduction is even an important trend.
- (3) Due to changes in lifestyles and usage habits, the objects of use of products gradually tend to have special needs for personal cleaning and household cleaning of different groups. As

the demand for products in the market continues to grow, the Company has continued to produce differentiated products with higher quality, occupying a major share of the market demand in Taiwan and Asia.

- (4) The correlation between upstream, mid-stream, and downstream sections of the industry:
Factories→inspection factories→distribution channels→consumers

2. skincare products:

- (1) The skincare product market is ever-changing with new products introduced, and consumers like to try new facial masks. Thus, Forest Beauty has launched different series of new products for different needs. With the differentiated mask fabrics, the formula of the facial mask essences that meet the market needs is selected. The Company is also gradually expanding its business in the skin care product market and has developed suitable skin care products for each age group based on the differences in distribution channels and consumer groups so as to expand the market to increase profits.
- (2) The correlation between upstream, mid-stream, and downstream sections of the skincare products industry
Skincare product ODM/OEM (including self-inspection) → advanced laboratory inspection → distribution channels → consumers

3. Hotel business:

At present, the population of booking accommodation on the Internet is increasing rapidly and the growth is significant around the world. E-commerce has become the largest market. Consumers are becoming more accustomed to ordering products or comparing prices on the Internet. The competition in the domestic tourism industry has become increasingly fierce. Faced by the increasingly competition in the industry, the Company continues to strengthen its software services to increase the overall revenue.

(III) Overview of Technology and R&D:

At present, there are 5 facial mask product series, 2 skincare product series, 1 makeup remover product, and 1 ocean-friendly sunscreen product series, plus the additional items to be launched next quarter, including Forest Fruit Tea facial masks, Essential Oil facial masks and Forest Miracle Effect skincare series, totaling 36 items. Baby Lion also has wet wipes for 6 items, body cleaning, and care series for 12 items, anti-mosquito series for 2 items, lifestyle products series for 6 items, and children's tableware for 8 items, including next season's upcoming new products, for a total of 34 items.

1. In order to expand into an international brand and export products smoothly, the Company also actively sends existing products to various countries for product verification. At present, its products have passed international tests with official registration obtained, or its products have been put on record:

Product Name	Registration Agency	No.	Country
24K Gold & Collagen Lifting Bio Cellulose Mask	CPNP Reference	3080106	European Union
Calendula & Centella Soothing Bio Cellulose Mask	CPNP Reference	3080176	European Union
Hyaluronic Acid Intensive Moisturizing Bio Cellulose Mask	CPNP Reference	3080203	European Union
Peptides & Orchids Extract Anti-Ageing Bio Cellulose Mask	CPNP Reference	3080218	European Union
Luxurious Golden Foil Royal Jelly Advanced Hydration Mask	CPNP Reference	3080231	European Union
Luxurious Golden Foil Royal Jelly Rejuvenating Mask	CPNP Reference	3080472	European Union
Luxurious Silver Foil Swiss Ice Wine Firming & Lifting Mask	CPNP Reference	3080478	European Union
Luxurious Silver Foil Swiss Ice Wine Moisture Boost Mask	CPNP Reference	3080700	European Union
CICA Soothing & Cooling Mask	CPNP Reference	3872423	European Union
24K Gold and Collagen Wrinkless Eye Mask	CPNP Reference	3872452	European Union
Elderflower Repairing Mask	CPNP Reference	3872480	European Union
Pore Minimizing & Oil Control Mask	CPNP Reference	3872511	European Union
Renewing & Oxygen Refreshing Mask	CPNP Reference	3872529	European Union
Edelweiss Long-Lasting Hydrating Mask	CPNP Reference	3872575	European Union
Forest Beauty Royal Jelly Anti-Wrinkle facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004810	China
Forest Beauty Royal Jelly Firm and Elastic facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004809	China
FOREST BEAUTY Edelweiss Long-Lasting Hydrating Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200002	Indonesia
FOREST BEAUTY Oriental Beauty Tea Moisturizing Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47200200064	Indonesia
FOREST BEAUTY Pomegranate Anti-Ageing Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200001	Indonesia
FOREST BEAUTY Shea Butter Moisturizing Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47200200063	Indonesia
FOREST BEAUTY Luxurious Golden Foil Royal Jelly Advanced Hydration Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47200200062	Indonesia
FOREST BEAUTY 24K Gold Foil EYE Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200012	Indonesia
FOREST BEAUTY Luxurious Silver Foil Swiss Ice Wine Moisture Boost Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47200200060	Indonesia
FOREST BEAUTY 24K Gold & Collagen Lifting Bio Cellulose Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200004	Indonesia
FOREST BEAUTY Hyaluronic Acid Intensive Moisturizing Bio Cellulose Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200003	Indonesia
FOREST BEAUTY Calendula & Centella Soothing Bio Cellulose Mask	BADAN PENGAWAS OBAT DAN MAKANAN	NA47210200005	Indonesia
24K Gold and Collagen Wrinkless Eye Mask			Singapore
Colloidal Gold and Caffeine Illuminating Eye Mask			Singapore
Pomegranate Anti-Ageing Mask			Singapore
Elderflower Repairing Mask			Singapore
Elderflower Renewal Repair Mask			Singapore
Black Diamond Truffles Ultimate Youth Recovery Mask			Singapore
Black Baccarat Rose Ultimate Youth Lifting Mask			Singapore
Neroli Intense Hydrating Mask			Singapore
Frankincense Rejuvenating Mask			Singapore
Pomegranate Anti-Ageing Mask			Myanmar



Product Name	Registration Agency	No.	Country
France Rose & Pearl Whitening Mask			Myanmar
Horse Chestnut Soothing Mask			Myanmar
Shea Butter Moisturizing Mask			Myanmar
Edelweiss Long-Lasting Hydrating Mask			Myanmar
Elderberry Repairing Mask			Myanmar
Oriental Beauty Tea Moisturizing Mask			Myanmar
White Tea Whitening Mask			Myanmar
Nano-Gold Foil Royal Jelly Rejuvenating Mask			Myanmar
Luxurious Silver Foil Swiss Ice Wine Firming & Lifting Mask			Myanmar
Luxurious Silver Foil Swiss Ice Wine Moisture Boost Mask			Myanmar
24KGold & Collagen Wrinkless EYE Mask			Myanmar

2. Recent product efficacy test results

Brand	Product	Test contents/Results		
Baby Lion	Elephant Love Playing with Water Bath Mousse 280ml	Skin test: 24 subjects used continuously for 48 hours, Elephant Love Playing with Water Bath Mousse is considered non-irritating		
Baby Lion	Naughty Clown 2-in-1 Shampoo & Body Wash 290ml	Skin test: 24 subjects used continuously for 48 hours, Naughty Clown 2-in-1 Shampoo & Body Wash is considered non-irritating		
Baby Lion	Bunny Magic Massage Oil	Skin test: 24 subjects used continuously for 48 hours, Bunny Magic Massage Oil is considered non-irritating		
Baby Lion	Lion Hair Wash Shampoo Mousse 280ml	Skin test: 24 subjects used continuously for 48 hours, Lion Hair Wash Shampoo Mousse is considered non-irritating		
Baby Lion	Miss Gymnastics Delicate Moisturizing Lotion	Skin test: 24 subjects used continuously for 48 hours, Miss Gymnastics Delicate Moisturizing Lotion is considered non-irritating		
Baby Lion	Amino Acid Repair Antibacterial Hand Wash	Antibacterial Test		
		Strain of bacteria	5min	60min
		Escherichia coli	6.55%	67.21%
		Klebsiella pneumoniae	99.97%	>99.99%
		Staphylococcus aureus	76.15%	92.30%
		Pseudomonas aeruginosa	17.85%	99.50%
Forest Beauty	14-day renewal relieving cream	Skin test: 24 subjects used continuously for 48 hours, 14-day renewal relieving cream is considered non-irritating		
Forest Beauty	Chinese Prescription Series-Peony Acne Mask	Antibacterial test against Propionibacterium acnes 60min 92.9%		
Forest Beauty	CICA Light Sunscreen Protective Cream SPF30 PA++	The test result of UVAPF was 5.2 and can be labeled as PA++		
Forest Beauty	CICA Aqua Rich Sunscreen Lotion SPF50+ PA++++	The test result of PFA was 26.23 and can be labeled as PA++++		
Baby Lion	Antibacterial Fragrance Mask Patch	Antibacterial test		
		Strain of bacteria	Antibacterial result	
		Staphylococcus aureus	>99.9%	
		Escherichia coli	>99.9%	
		Salmonella	>99.9%	
		Klebsiella pneumoniae	>99.9%	
Baby Lion	Children's Calendula Soothing Sunscreen (6M+)	UVA test result is 50+. The Boots Star Rating is		

3. The Company is committed to environmental friendliness. It selects eco-friendly materials, adopts natural and harmless materials with the least impact on the environment for the formulas. Meanwhile, it has applied for international labels to confirm that its products meet the regulations.

List of labels obtained and products that have been certified with relevant labels:

Label	Product	Certification entity
	Alendula & Centella Soothing Bio Cellulose Mask	The Vegetarian Society of the United Kingdom Limited
	Peptides & Orchid Extract Anti-Ageing Bio Cellulose Mask	
	Hyaluronic Acid Intensive Moisturizing Bio Cellulose Mask	
	Swiss Ice Wine Moisture Boost Mask	
	CICA Soothing & Cooling Mask	
	Elderflower Repairing Mask	
	Elderflower Renewal Repair Mask	
	Pomegranate Anti-Ageing Mask	
	Renewing & Oxygen Refreshing Mask	
	Pore Minimizing & Oil Control Mask	
	Private clean soft wipes	Forest Stewardship Council

4. Estimated research funds

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
Development and testing of new Baby Lion products	Planning of various Baby Lion related products and related tests	NT\$132 thousand
Development and testing of new Forest Beauty products	Related tests for prototyping and testing of various products, and testing of product physical property, chemical property, and functions	NT\$191 thousand
Review and registration of exported products	Application for cosmetic product registration and foreign trade mark application in China, Europe, America and Southeast Asia	NT\$720 thousand

(IV) Long- and short-term business development plans:

Lion Baby and Forest Beauty:

To meet the market demand, the Company will take the baby wet wipes with the largest share in the market in this field as the main product to be developed for Baby Lion, and will work with many collaborative manufacturers to develop functional and natural formulas and other products to increase its market share. For Forest Beauty, the Company will take facial masks as the main product to be developed and will incorporate unique ingredients to develop more skincare products and cleaning products to increase the market share.

1. Short-term business development plans:

(1) Sales strategy:

- A. Develop new channels based on product positioning, and formulate marketing strategies based on product and channel differentiation.

- B. Revitalize the brand's image, keep abreast of consumer needs, and innovate and copy successful models in order to launch new products.
 - C. Actively develop overseas markets and new businesses, and ensure sustainable operation by diversifying operations and revitalizing assets.
- (2) Marketing and R&D strategy
- A. Keep abreast of the market trends and develop differentiated and customized products to facilitate new product development and successful launch.
 - B. Work closely with academic and research and development units, actually, participate in the government's relevant unit's new product research and development projects to expand the scale of new product development, and actively apply for patents to ensure the Company's rights and interests.
- (3) OEM strategy
- A. Strictly monitor and inspect the operating procedures to strengthen and improve product quality.
 - B. Require manufacturers to cooperate with equipment maintenance and improvement and to upgrade process technology to achieve the differentiated value of new products.
2. Mid- and long-term business development plans:
- (1) Master the win-win core technologies and continuously improve product quality to enhance competitive advantage.
 - (2) Use diversified marketing strategies to promote a diversified product mix to increase market share.
 - (3) Actively expand domestic and foreign sales markets, establish an international brand image, and become the most favored and reliable enterprise and a well-known brand.

Development and hotel business development plan:

- 1. For the land development project of the old Shihlin Paper Mill, the Company continues to reach a consensus with the Taipei City Government actively on various possible plans and to look for possible opportunities based on the development of the situation, so as to successfully complete the development work in line with both parties' expectations.
- 2. The Company has obtained the construction license for the Warehouse No. 5 urban renewal development project, and the construction is scheduled to be officially launched in the fourth quarter of 2021 (a hotel building with 12 floors above ground and 3 floors underground).
- 3. The hotel will publish high-quality marketing materials to cater to customers' preferences.

II. Overview of Market, Production, and Sales:

(I) Market analysis

1. Overview of the market

(1) Wet wipes:

A. Market share of functional products

The overall market is divided by functionality: pure water>antibacterial>skincare>others; the market share of Baby Lion continues to grow.

B. Performance of distribution channels

The distribution channels of wet wipes are as follows:

Group shopping>Online shopping platforms>Maternity products and drugstores>General retail stores and pharmacies>Hypermarkets and supermarkets. All distribution channels continue to grow.

(2) Toiletries and anti-mosquito products:

A. Market overview and product development

Although Taiwan faces the problem of low birth rate, as the parenting concept changes over time, the maternity market consumption potential increases year after year, and young families value the quality of maternity and baby products and service experience. Furthermore, the parenting method and product consumption move toward the trend of refined products and services. In addition to the pursuit of natural, safe and high quality products, brand influence is also an important key factor considered by parents during the process of their purchase. To expand the brand sales and achieve product differentiation, Baby Lion has newly released the calendula 2-in-1 cleaning and care shower gel and shower mousse, in order to provide greater choices to new parents. In addition, the products emphasize the importance of natural plant extraction for allergy relieving, cleaning and care. With the high grade ingredients and unique plant extraction formula as well as outstanding quality assurance, the consumers' purchase intention will certainly be increased.

B. Performance of distribution channels

The sales of Baby Lion toiletry and care products and natural essential oil anti-mosquito products on the online shopping platform and group purchase circles are outstanding, and the number of both customer orders and transactions has indicated the trend of continuous and stable growth. The physical stores mostly sell maternity and baby products, and Baby Lion continues to participate in major maternity and baby product exhibitions, as well as set up counters on the floor dedicated to maternal and baby products in well-known department stores and actively participate in the planning of all major festivals and promotional events, in order to attract consumers and to increase the brand visibility at the same time.

(3) Alcohol-based protective products:

A. Market overview and product development

In response to the daily demands during the post-pandemic era, the demand for protection related products, including Baby Lion's products of wipes containing 75% alcohol, moisturizing hand spray containing 75% alcohol, and amino acid repair and antibacterial hand wash, as well as a highly effective general-purpose cleaning liquid, and a dish and fruit and vegetable detergent, has increased significantly, and great sales response has been received. In addition, the Company also actively develops new products for the protection series and daily product series, such as an antibacterial fragrance mask patch, antibacterial hand wash mousse for children, and 100% cotton gauze, based on the consideration of satisfying maternity convenience and safety of the modern era.

B. Performance of distribution channels

Alcohol-based protective products are mainly sold on online shopping platforms, maternity and baby product stores, and major pharmacies, and their performance is outstanding. Due to the impact of the change of consumption pattern, under the home economy driven by the pandemic over the past three years, the Baby Lion online shopping platform has indicated stable growth and continues to expand the number of its valid members.

(4) Facial masks and skincare products:

A. Cosmetics and skincare market overview and product development

In recent years, the global skincare product market grows stably. From 2017 to 2021, the annual growth rate was 9.5% continuously, and in 2021, the global facial mask market scale reached US\$8.8 billion. According to the Kantar Taiwan Consumer Index Report, due to the impact of the global pandemic and inflation on the economy, the level of impact on the cosmetics industry in Taiwan is relatively small in comparison to other industries, and the overall market is still stable. It is obvious that the consumer has certain demand for the body care type of products, and such type of products are even purchased by consumers on a regular basis to improve personal physical/mental health and joy to overcome the pandemic down time. Forest Beauty released the Essential Oil facial mask series of products during the first half of 2022. With the natural plant extraction and essential oil fragrance, modern people's living stress can be mitigated while achieving physical/mental care. After the release of such series of facial masks, the products have received great attention with media recommendation reports and internet popularity, such that the channel sales has been remarkable. - Some of the above information makes reference to the Kantar Taiwan Consumer Index "2023 Taiwan Cosmetics Market Report | Impact of inflation and wonderful business opportunities after pandemic"-

B. Performance of distribution channels

Forest Beauty demonstrates excellent performance in the cosmetics and online shopping channels. After the pandemic, it continues to show growth, and the customer orders, number of transactions and total sales have also indicated the trend of stable growth. Presently, the physical market focuses on the chained cosmetic channel, and promotional activities are organized according to festival events along with channel planning, in order to attract consumers and increase the brand visibility.

Since its establishment in 2017, Forest Beauty has consecutively released numerous types of facial masks with great recognition from the market. With professional research and development and product quality, the Company has received a total of 15 major international cosmetics and skincare awards for a short period of four years from 2019 to 2022. Among the products, the “Royal jelly peptide anti-wrinkle repair and care facial mask” designed by the international five-star hotel Salon and the “Elderflower renewal repair facial mask” with a great domestic sales record received the Belgium Monde Selection World Quality Evaluation Awards “Gold and Silver Awards” respectively for their first time of participation in such event. “Alishan Green Tea Firming Mask” with the unique characteristics of Taiwan tea extraction received the highest honor of Global Pure Beauty Global Awards “Best Diverse and new skincare Award”. In addition, Forest Beauty facial mask also received the honor of being designated product for the supreme Canada Four Seasons Hotel, and the supreme international hotel SPA of CONRAD Hotel under the Hilton Group.

After the pandemic, the Company has adjusted the strategy for export sales, including market development and sales channel. The development of Forest Beauty in overseas countries continues to expand and demonstrates significant growth, the product sales reaches countries in three main continents, including China, Japan, Singapore, Romania, Bulgaria, Hungary, Georgia and U.S.A. Among them, eye masks are popular in 80 Watson's stores and e-commerce in Singapore, and the Rakuten platform in Japan is the top seller of facial masks in a single month with its tea polyphenols series facial mask gift box, and the recent Alibaba cross-border e-commerce is also ready to continue to work on the development of the facial mask category.

2. Market analysis:

- (1) The sales region of the Company's main products is mainly in the domestic market, which is divided into three areas: northern (New Taipei, Taipei Cities, Taoyuan, Hsinchu, and Miaoli), central, and southern Taiwan; currently, it is actively developing domestic high-end markets, such as department stores, and global markets.
- (2) Future supply and demand status and growth: According to the market survey statistical data of professional market research institution, the market of Baby Lion and Forest Beauty continues to grow, and consumers' positive recognition and brand popularity are also

increasing. Baby Lion focuses on the maternity and daily household products for natural, safe and effective use. Forest Beauty uses plant extraction formula and focuses on the main development of certified organic ingredients and product differentiation. The Company will plan various functional products according to different consumer groups, and develop natural, high safety and effective products and the ones with patented formula to achieve diversification and market segmentation to improve performance.

(3) Future supply-demand response: Seek more domestic and foreign professional OEMs to respond to future market demand.

(4) Favorable and unfavorable factors of development prospects:

A. Favorable factors: Both brands have certain popularity in the market, unique brand recognition and loyal customer group. In addition, product series development is relatively more complete than other competitions in the same industry. With domestic and foreign professional OEM cooperating partners, outstanding product technical capability, high quality and reliability, both brands are able to maintain high customer satisfaction.

B. Unfavorable factors: Since the domestic consumer product market demand is limited, and brand competition is severe, both brands will utilize sales promotion and marketing strategy to attract consumers' support along with virtual and physical integration for mutual guidance of customer flows, thereby expanding the market share.

3. Market Outlook

(1) Lion Baby and Forest Beauty:

A. Innovative research and development, understand and monitor consumer demands, continue to release new products, provide characteristic and quality products.

B. Target at the international market, actively participate in international exhibitions and professional cosmetics and skincare award competitions, in order to establish international brand image and to strategically invest in brands, thereby establishing an excellent foundation for overseas market.

C. Increase market share, enhance and link the online and offline promotional sales, and improve brand popularity, and reputation, in order to increase sales volume and product profit.

D. Implement membership management, continue to optimize the operation of the Company's webstore and the membership of the external website.

(2) Sunshine Shihlin Paper Sun Hotel: Continue to integrate various resources to increase revenue and occupancy rate.

(II) Important Functions and Production Process of Major Products

1. Wet wipes:

(1) The functions of the wet wipes: Wet wipes are cleaning products for individuals, families, and babies and children.

(2) Production process of wet wipe products:

Non-woven fabrics (raw materials) → folding and laminating → flattening → adding liquid → cutting upon flattening → automated bag packaging → metal weight inspection → box packaging.

2. Toiletries and anti-mosquito products:

(1) Functions of main toiletries products: Toiletries products are cleaning and care products for babies and small children.

(2) The production process of toiletries products: Raw material inspection → compounding and weighing → blending/mixing and water-in-oil emulsion → quality control and inspection → quantitative filling → sealing → carton packaging and shrinkable film → quality control of finished goods.

(3) The functions of the main anti-mosquito products: Anti-mosquito products are products for preventing babies, small children, and adults from mosquito bites.

(4) The production process of anti-mosquito products: Raw material inspection → compounding and weighing → blending/mixing and water-in-oil emulsion → quality control and inspection → quantitative filling → sealing → carton packaging and shrinkable film → finished product emulsion → quality control of finished goods.

3. Alcohol-based protective products:

(1) Functions of 75% alcohol wipes: They are used for cleaning and disinfecting the environment and supplies.

(2) The production process of 75% alcohol wipes:

Non-woven fabrics (raw materials) → folding and laminating → flattening → adding alcohol mixture → cutting upon flattening → automated bag packaging.

(3) Functions of 75% alcohol moisturizing hand spray: It is for hand cleaning.

(4) Production process of 75% alcohol moisturizing hand spray:

Raw material inspection → compounding and weighing → blending and mixing → quality control and inspection → quantitative filling → sealing → shrinkable film.

4. Facial masks and skincare products:

- (1) The functions of the main products of the facial masks: To condition the skin, improve the skin condition, and help to present natural charm of the skin.
- (2) Production process of facial mask products:
Mask fabric (raw materials) → folding and bagging → disinfection → material filling → sealing → appearance inspection & inner material inspection → box packaging and shrink wrap → carton packaging → sending to a third-party verification unit for inspection.
- (3) The functions of the main skincare products: They aim to provide suitable care procedures for different skin conditions, repair skin for anti-aging, and maintain skin health.
- (4) The production process of skincare products: Raw material inspection → compounding and weighing → blending/mixing and water-in-oil emulsion → quality control and inspection → quantitative filling → sealing → carton packaging and shrinkable film → quality control of finished goods.

(III) Supply status of main raw materials

1. Supply of main raw materials for wet wipes outsourced

Main ingredients	Supply
Fiber, viscose staple, waterproof PE film, and hot glue	The supply of goods is stable.

2. Supply of main raw materials for toiletries, care, and anti-mosquito products outsourced

Item	Main ingredients	Supply
Personal toiletry products	Bottles, glycerin, surfactants, moisturizers, artificial flavors, and preservatives	The supply of goods is stable.
Cleaning products (Fruit and vegetable dish detergent)	Bottles, water, surfactants, natural moisturizers, natural germicides, and essence oils	The supply of goods is stable.
Cleaning products (General-purpose cleaning liquid)	Bottles, water, surfactants, artificial flavors, and antibacterial agents	The supply of goods is stable.
Skincare products	Bottles, glycerin, organic olive oil, shea butter, vitamin B5 & E, emulsifier, artificial flavors, and preservatives	The supply of goods is stable.
Anti-mosquito products	Bottles, zipper aluminum bag, non-woven sticker, ABS clip, and various essential oils	The supply of goods is stable.

3. Supply of main raw materials for alcohol-based protective products outsourced

Item	Main ingredients	Supply
75% alcohol wipes	Waterproof PE film, spun-lace non-woven, ultra-pure water, alcohol, and bacteriostatic agent	The supply of goods is stable.
75% alcohol moisturizing hand spray	Bottles, alcohol, water, essential oils, antioxidants, and antibacterial agents	The supply of goods is stable.

4. Supply of main raw materials for facial masks and skincare products outsourced

Main ingredients	Supply
Aluminum bag, paper box, mask fabric (bio-fiber, tencel, and pure cotton fabrics)	The supply of goods is stable.

(IV) The Names of Customers Who Have Accounted for More than 10% of the Total Purchases (Sales) in Any of the Last Two Years and the Amount and Proportion of Their Purchases (Sales)

1. Customers who have accounted for more than 10% of the total purchases: (Unit: NT\$ thousand; %)

Information on Major Suppliers in the Last Two Years

Unit: NT\$ thousand; %

Item	2021				2022				As of March 31, 2023			
	Name	Amount	Proportion to net purchases for the whole year %	Relationship with the issuer	Name	Amount	Proportion to net purchases for the whole year %	Relationship with the issuer	Name	Amount	Proportion to net purchases for the current year up to the previous quarter %	Relationship with the issuer
1	Nan Liu Enterprise Co., Ltd.	39,115	67.95%	None	Nan Liu Enterprise Co., Ltd.	38,838	61.95%	None	Nan Liu Enterprise Co., Ltd.	9,933	44.16%	-
2	Stellar Beauty Biotech Co. Ltd.	8,132	14.13%	None	Stellar Beauty Biotech Co. Ltd.	12,125	19.34%	None	Stellar Beauty Biotech Co. Ltd.	6,556	22.15%	-
3	Others	10,314	17.92%	None	Others	11,733	18.71%	None	-	6,003	26.69%	-
	Net purchases	57,561	100.00%		Net purchases	62,696	100.00%		Net purchases	22,492	100.00%	

Note 1: As of the publication date of the annual report, there is no financial information for the first quarter of 2023 that has been approved by the Board of Directors and audited or reviewed by CPAs.

2. Customers who have accounted for more than 10% of the total sales: (Unit: NT\$ thousand; %)

Information on Major Sales Customers in the Last Two Years

Unit: NT\$ thousand; %

Item	2021				2022				As of March 31, 2023			
	Name	Amount	Proportion to total annual net sales %	Relationship with the issuer	Name	Amount	Proportion to total annual net sales %	Relationship with the issuer	Name	Amount	Proportion to net sales for the current year up to the previous quarter %	Relationship with the issuer
1	Customer B	73,511	22.55%	None	Customer A	17,933	10.86%	None	Customer A -	4,474	10.22%	-
2	Customer C	52,257	16.03%	None	Others	147,125	89.14%	None	Customer D	4,450	10.16%	-
3	Others	200,256	61.42%	None					Others	34,862	79.62%	
	Net sales	326,024	100.00%		Net sales	165,058	100.00%		Net sales	43,786	100.00%	

(V) Production Volume and Amount in the Last Two Years

None.

(VI) Sales Volume and Amount in the Last Two Years:

Sales Volume in the Last Two Years

Unit: box; NT\$ thousand

Major product (Or department)	Year		2021				2022			
	Sales quantity and amount		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value		
Revenue from construction projects	-	136,244	-	0	0	0	0	0	0	
Rental income	-	71,750	-	0	0	69,225	0	0	0	
Guest room income	-	45,564	-	0	0	17,720	0	0	0	
Wet wipes	87,427	45,929	-	0	108,530	45,347	0	0	0	
Others	-	23,181	-	3,356	0	30,801	0	1,965	1,965	
Total	87,427	322,668	0	3,356	108,530	163,093	0	1,965	1,965	

III. The Number of Employees, Average Years of Service, Average Age, and Education Distribution in the Last Two Years and As of the Publication Date of the Annual Report

Year		2021	2022	As of April 10, 2023
Number of employees		62	62	64
Average age		39.2	39.76	39.84
Average years of service		4.75	5.43	5.31
Distribution of education (%)	Doctoral degree	1.61%	1.61%	1.56%
	Master's degree	14.52%	17.74%	17.19%
	Junior college	74.20%	69.36%	70.31%
	Senior high school	8.06%	9.68%	9.38%
	Below senior high school	1.61%	1.61%	1.56%

IV. Information on Environmental Protection Expenditure

In the last year and as of the publication date of the annual report, losses incurred due to environmental pollution: None.

V. Labor-management Relations

(I) Current Important Labor-management Agreements and Execution

1. Employee benefits

The Company handles labor insurance and health insurance in accordance with the laws and regulations. It has also formulated the Employee Welfare Committee Charter in accordance with the Employee Welfare Fund Act, established the Employee Welfare Committee, and appropriated funds for employee benefits in accordance with the regulations, while setting out various benefits based on the actual situation of the Company in accordance with the relevant provisions of the labor laws and regulations.

- (1) The Company's benefits include gifts for Labor Day, employee pensions, annual health examination, birthday cash gifts, and free parking space.
- (2) The Employee Welfare Committee is responsible for the Company's measures, including bonuses for three major holidays, wedding cash gifts, childbirth allowance, funeral allowance, teambuilding activities, and children's education grants and scholarships.

2. Pension system under the Labor Standards Act

The Company has handled relevant operations such as the consultation of the willingness of its employees to participate in the new or old system of labor pension, the processing of the years of service of the old system, the declaration of the new system, and the contributions of the labor pension, etc., according to the regulations. The Company shall make monthly contributions of 6% of their wages to their pension accounts in accordance with Labor Pension Act. The pension payment standard of the Company is handled in accordance with Article 55 of the Labor Standards Act and Labor Pension Act. The Company has established employee retirement regulations. According to the regulations, employees' years of service and pension are calculated in accordance with Article 55 of the Labor Standards Act.

3. Employee education and training

The Company regards employees as its most important asset and attaches great importance to their growth and development. Thus, to help employees enhance their professional skills and develop their own potential, it provides diverse education and training courses or training subsidies to improve employees' overall quality through adequate training and to enable the Shihlin Paper team to move toward a greater vision.

(II) Losses Incurred Due to Labor Disputes in the Last Two Years

In the past two years, the Company has formulated work rules in accordance with the relevant labor laws and regulations, and implemented various management policies in accordance with the newly promulgated laws and regulations by the government to maintain harmonious labor-management relations and no losses due to labor-management disputes.

(III) Employee Conduct and Code of Ethics

The Company attaches great importance to its employees' work attitude and moral ethics. It has set out general rules for all employees, and included the work attitude and moral ethics in the performance evaluation indicators for all employees:

1. General rules of work attitude and moral ethics

- (1) Shihlin Paper motto: "Loyal and honest, diligent and pragmatic, responsible, and cherishing". All employees shall strive hard in line with the motto.
- (2) Employees shall be proud of being a member of Shihlin Paper, and abide by the

requirements of various regulations and announcements or notices via email on the work environment, work attitude, and employee relations.

- (3) Comply with laws and regulations, including laws and regulations regarding insider trading.
- (4) Protect the Company's assets for effective utilization.
- (5) Keep official and business secrets confidential, and all documents, items, and information shall be handled in accordance with the information security policy and shall not be taken out of the office (or sent by e-mail) and leaked. In the case of any situation above, in addition to dismissal, legal actions may be taken according to the severity of the circumstances.
- (6) Employees are not allowed to request or accept commissions, kickbacks, or accept improper entertainment or any other gifts and other illegal personal benefits by means of their work. Once found, they shall be dismissed. If the Company suffers any losses, they will be prosecuted for compensation in accordance with the law.
- (7) All employees' personal behavior shall be honest and ethical, particularly when individuals have conflicts of interest with their work.
- (8) The reports submitted regularly shall be disclosed in a complete, fair, correct, timely, and easy-to-understand manner.
- (9) Follow supervisors' reasonable supervision and guidance and pay attention to work safety.
- (10) Employees shall respect and value the Company's reputation. Any personal opinions related to the Company may not be published without permission; except for the tasks assigned by the Company, any work shall not be conducted under the Company's name without authorization.
- (11) Employees shall be sincere, proactive and responsible at work, and discover problems and put forth solutions actively.
- (12) Treat customers, distributors, suppliers, and competitors in an impartial manner.

2. Performance evaluation indicators for work attitude and ethics

- (1) Moral ethics: Integrity; not obtaining personal benefits through improper means, and no personal deviant behavior that affects the Company's reputation.
- (2) Dedication: Loving work and willing to spend extra time and effort to complete the work.
- (3) Active and responsible attitude: Working hard to complete the work within the scope of responsibilities, and doing the best to complete the work assigned by the supervisor.
- (4) The overall interests of the Company: Understanding his/her job responsibilities and duties, and knowing how to evaluate and maintain the Company's overall interests.

(IV) Work Environment and Protective Measures for Employees' Personal Safety

1. In view of the importance of the work environment and employee personal safety protection measures, the Company adopts a target-based project management mechanism to make improvements based on the results of statistical analysis. Maintaining the work environment

and safety and reducing employee occupational injuries are its long-term goals; thus, the Company has formulated management methods and control plans as follows:

- (1) Employee education and training regulations: In accordance with current laws and regulations
- (2) Machinery and equipment maintenance regulations: Execute in accordance with the usual equipment maintenance procedures
- (3) Smoking management measures: In accordance with the rules announced
- (4) Relevant regulations on wearing helmets: In accordance with current regulations
- (5) Electricity safety control: In accordance with current regulations
- (6) Vehicle speed limit and access control for people and vehicles: In accordance with the rules announced
- (7) Regulations on security assisting in guiding people and vehicles to the parking space: In accordance with the rules announced
- (8) Promotion of using steel chopsticks for environmental protection: In accordance with the rules announced
- (9) Prohibition of eating betel nuts at the factory: In accordance with the rules announced
- (10) Prohibition of placing food at operations sites, and dining in the designated place: In accordance with the rules announced
- (11) Resource recycling: In accordance with the rules announced
- (12) Assistance provided to send away stray cats and dogs: In accordance with the rules announced

2. Occupational safety and health promotion activities

(1) Occupational injury prevention plan

In order to achieve the goal of zero occupational injury, the Company draws up an annual occupational injury prevention plan at the end of each year, and then sets out a detailed execution plan based on the content of the occupational injury prevention plan, and each business unit executes it in accordance with the timeline and content of the plan.

- A. In response to the amendments to laws and regulations, the Company amends the safety and health work rules regularly and establishes operating standards for safe operations of all equipment in the factories for employees to follow.
- B. The Company organizes employee education and training in accordance with laws and regulations, and helps them obtain relevant certificates and licenses.
- C. The Company has established a complete fire protection system per the Fire Services Act, conducts regular inspections of fire safety equipment, and files a report to the competent authority.

(2) Awareness-raising activities and education through injury prevention cases:

The Company organizes domestic disasters and work injury incidents from time to time, produces promotional materials, posters, etc., and announces them within the factory to remind and educate all employees on disaster prevention and provide the latest information. Environmental and occupational safety maintenance is all employees' responsibility and task. It requires all employees to work together through their own work and to cherish the environment, so as to jointly create a safe, clean, clean, and injury-free work environment.

VI. Cyber security management

- (I) The Company values information security and has established complete information security protection and data protection mechanism, in order to prevent the risk of occurrence of confidential information disclosure or data damage. IT Department has also been organized, and relevant information security protection and control mechanisms, application technology, and data security standards have also been established. For important systems of the Company, a data backup mechanism has been established to perform irregular recovery tests annually, in order to ensure that information system can be recovered normally, thereby reducing the risk of system interruption caused by unexpected natural disasters or human errors, and ensuring the compliance with the system recovery objective set by the Company.
- (II) Enhance employees' information security concept and culture for their daily jobs, organize information security education and training periodically, in order to allow employees to understand and comply with relevant information security rules and to implement properly at their job duties.
- (III) Plan company resources, establish information asset management, implement early prevention, establish information security protection measures, and perform periodic inspection.
- (IV) Implement authorization management, clearly specify the use authority of information system, network service, sensitive information, and prevent any unauthorized accesses.
- (V) Continue to review and improve, perform audit activities periodically, in order to implement information security management system, and to improve deficiencies or vulnerabilities.
- (VI) In 2022, the anti-virus software is updated for the entire company, and Web Console platform is constructed for centralized management, such that dedicated staff is able to track the status at any time, in order to facilitate the management and to improve the computer host machine file system protection for employees. Accordingly, it is able to reduce external attacks, hacker intrusion, internet phishing risk while improving the e-mail trojan horse protection. For 2022 and as of the publication date of the annual report, the Company and its subsidiaries did not have any information security incidents that had a significant adverse effect on the Company.

VII. Important Contracts

None

Six. Overview of Financial Status

I. Condensed Balance Sheet and Statement of Comprehensive Income in the Last Five Years

(I) Condensed Consolidated Balance Sheet

Unit: NT\$ thousand

Item	Year	Financial Data in the Last Five Years					Financial information for the current year as of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Current assets		715,753	856,266	1,792,229	6,712,149	3,338,717	2,832,607
Property, Plant, and Equipment		1,079,293	1,067,932	1,311,043	1,308,210	1,635,475	1,615,400
Intangible asset		11,182	9,853	9,483	8,195	6,866	6,473
Other assets		4,657,955	4,653,212	4,409,238	4,405,917	4,317,230	4,419,404
Total Assets		6,464,183	6,587,263	7,521,993	12,434,471	9,298,288	8,873,884
Current liabilities	Before distribution	2,231,902	2,455,810	2,496,314	2,370,771	2,422,469	2,420,218
	After dividend	2,231,902	2,455,810	2,496,314	2,370,771	2,422,469	2,420,218
Non-current liabilities		1,611,694	1,611,546	1,612,994	1,606,583	1,711,645	1,765,083
Total Liabilities	Before distribution	3,843,596	4,067,356	4,109,308	3,977,354	4,134,114	4,185,301
	After dividend	3,843,596	4,067,356	4,109,308	3,977,354	4,134,114	4,185,301
Equity attributable to owners of parent		2,620,587	2,519,907	3,412,685	8,457,117	5,164,174	4,688,583
Share capital		2,600,391	2,600,391	2,600,391	2,600,391	2,600,391	2,600,391
Capital surplus		0	0	0	0	0	0
Retained earnings	Before distribution	70,331	(109,214)	(244,983)	(160,590)	51,493	14,771
	After dividend	70,331	(109,214)	(244,983)	(160,590)	51,493	14,771
Other equity interest		(50,135)	28,730	1,057,277	6,017,316	2,512,290	2,073,421
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before distribution	2,620,587	2,519,907	3,412,685	8,457,117	5,164,174	4,688,583
	After dividend	2,620,587	2,519,907	3,412,685	8,457,117	5,164,174	4,688,583

Note 1: Reviewed by an independent accountant in Q1, 2023.

(II) Condensed Consolidated Statement of Comprehensive Income

Unit: NT\$ thousand

Item \ Year	Financial Data in the Last Five Years					Financial information for the current year as of March 31, 2023 (Note 1)
	2018	2019	2020	2021	2022	
Operating revenue	218,526	169,454	159,473	326,024	165,058	43,786
Gross operating profit	46,827	52,232	53,508	176,501	76,145	19,219
Operating gains (losses)	(171,908)	(184,403)	(152,414)	(26,559)	(103,224)	(27,467)
Non-operating income (expense)	5,627	4,869	16,729	115,178	315,004	(9,255)
Net profit (loss) before tax	(166,281)	(179,534)	(135,685)	88,619	211,780	(36,722)
Income tax expense	-	-	-	4,370	-	-
Net loss for the period from continuing operations	(166,806)	(179,534)	(135,685)	84,249	211,780	(36,722)
Loss on discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	(166,806)	(179,534)	(135,685)	84,249	211,780	(36,722)
Other comprehensive income (loss) (net of tax)	(100,924)	78,854	1,028,463	4,960,183	(3,504,723)	(438,869)
Total comprehensive income (loss)	(267,730)	(100,680)	892,778	5,044,432	(3,292,943)	(475,591)
Net profit (loss) attributable to owners of the parent company	(166,806)	(179,534)	(135,685)	84,249	211,780	(36,722)
Net loss attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income (loss) attributable to owners of the parent company	(267,730)	(100,680)	892,778	5,044,432	(3,292,943)	(475,591)
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	(0.64)	(0.69)	(0.52)	0.32	0.81	(0.14)

Note 1: Reviewed by an independent accountant in Q1, 2023.

(III) Condensed Parent Company Only Balance Sheets

Unit: NT\$ thousand

Item	Year	Financial Data in the Last Five Years				
		2018	2019	2020	2021	2022
Current assets		614,774	654,489	1,676,137	6,627,940	3,178,301
Property, Plant, and Equipment		36,908	35,356	34,379	36,249	35,351
Intangible asset		9,872	8,656	8,398	7,196	5,952
Other assets		3,026,794	2,957,101	2,827,848	2,839,961	2,930,690
Total Assets		3,688,348	3,655,602	4,546,762	9,511,346	6,150,294
Current liabilities	Before distribution	1,027,630	1,095,874	1,093,689	1,013,841	945,337
	After dividend	1,027,630	1,095,874	1,093,689	1,013,841	945,337
Non-current liabilities		40,131	39,821	40,388	40,388	40,783
Total Liabilities	Before distribution	1,067,761	1,135,695	1,134,077	1,054,229	986,120
	After dividend	1,067,761	1,135,695	1,134,077	1,054,229	986,120
Equity attributable to owners of parent		2,620,587	2,519,907	3,412,685	8,457,117	5,164,174
Share capital		2,600,391	2,600,391	2,600,391	2,600,391	2,600,391
Capital surplus		0	0	0	0	0
Retained earnings	Before distribution	70,331	(109,214)	(244,983)	(160,590)	51,493
	After dividend	70,331	(109,214)	(244,983)	(160,590)	51,493
Other equity interest		(50,135)	28,730	1,057,277	6,017,316	2,512,290
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total Equity	Before distribution	2,620,587	2,519,907	3,412,685	8,457,117	5,164,174
	After dividend	2,620,587	2,519,907	3,412,685	8,457,117	5,164,174

(IV) Condensed Parent Company Only Statements of Comprehensive Income

Unit: NT\$ thousand

Item \ Year	Financial Data in the Last Five Years				
	2018	2019	2020	2021	2022
Operating revenue	117,772	106,435	112,020	120,357	132,098
Gross operating profit	48,535	49,170	44,533	46,200	62,250
Operating losses	(23,660)	(35,254)	(41,588)	(54,722)	(15,737)
Non-operating income (expense)	(143,146)	(144,280)	(94,097)	138,971	227,517
Net loss before tax	(166,806)	(179,534)	(135,685)	84,249	211,780
Continuing operations Net loss	(166,806)	(179,534)	(135,685)	84,249	211,780
Net profit (loss) for the period	(166,806)	(179,534)	(135,685)	84,249	211,780
Other comprehensive income (loss) (net of tax)	(100,924)	78,854	1,028,463	4,960,183	(3,504,723)
Total comprehensive income (loss)	(267,730)	(100,680)	892,778	5,044,432	(3,292,943)
Earnings per share	(0.64)	(0.69)	(0.52)	0.32	0.81

(V) Name of CPAs and Audit Opinions Thereof in the Last Five Years

Year	Name of Attesting CPAs	Opinion
2018	Min-Chih Cho and Wen-Ting Hsiang	Unqualified opinion
2019	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion
2020	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion
2021	Yu-Ling Hung and Wen-Ting Hsiang	Unqualified opinion
2022	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion

II. Financial Analysis in the Last Five Years

(I) Consolidated Financial Statements

Analysis item	Year	Financial Analysis in the Last Five Years					As of March 31, 2023 (Note 1)
		2018	2019	2020	2021	2022	
Financial structure (%)	Debt to assets ratio (Note 3)	59.49	61.75	54.63	31.99	44.46	47.16
	Long-term capital to property, plant, and equipment (Note 3)	392.13	386.86	383.33	769.27	420.42	399.51
Solvency %	Current ratio (Note 3)	32.07	34.87	71.80	283.12	137.82	117.04
	Quick ratio (Note 3)	27.15	30.93	67.94	281.40	135.93	114.75
	Interest coverage ratio (Note 4)	(5.82)	(5.87)	(4.30)	4.90	8.61	(2.69)
Operating performance	Receivables turnover (times) (Note 5)	7.90	3.96	3.22	6.53	3.19	3.24
	Average collection days (Note 5)	46.22	92.17	113.34	55.89	114.42	112.65
	Inventory turnover (times) (Note 5)	1.28	0.77	0.88	2.31	3.51	4.47
	Accounts payable turnover (times) (Note 5)	21.44	11.17	10.58	17.00	8.38	7.96
	Average turnover days (Note 5)	285.16	474.03	414.77	158.01	103.98	87.53
	Property, plant and equipment turnover (times) (Note 5)	0.04	0.03	0.03	0.06	0.11	0.03
	Total asset turnover (times) (Note 5)	0.03	0.03	0.02	0.03	0.02	0.02
Profitability	Return on assets (%) (Note 4)	(2.18)	(2.35)	(1.56)	1.07	2.20	(1.18)
	Return on equity (%) (Note 4)	(6.06)	(6.99)	(4.57)	1.42	3.11	(2.98)
	Net income before tax as a percentage of paid-in Capital ratio (%) (Note 4)	(6.39)	(6.90)	(5.22)	3.41	8.14	(1.41)
	Net profit margin (%) (Note 4)	(76.33)	(105.95)	(85.08)	25.84	128.31	(83.87)
	Earning per share (NT\$) (Note 4)	(0.64)	(0.69)	(0.52)	0.32	0.81	(0.14)
Cash flow	Cash flow ratio(%) (Note 4)	0.00	0.00	0.00	7.47	11.41	0.00
	Cash flow adequacy ratio (%) (Note 3)	0.00	0.00	0.00	348.30	201.71	-151.45
	Cash reinvestment ratio (%) (Note 4)	0.00	0.00	0.00	1.67	3.72	0.00
Leverage	Operating leverage (Note 6)	(0.30)	(0.20)	(0.26)	(5.76)	(0.63)	(0.66)
	Financial leverage (Note 5)	0.88	0.88	0.86	0.54	0.79	0.73

Note 1: Reviewed by an independent accountant in Q1, 2023.

Note 2: The reasons for the increase or decrease of various financial ratios by at least 20% in the last two years are described below:

Note 3: Increase in debt ratio and decrease of ratio of long-term funds to property, plant and equipment, current ratio, and quick ratio: Mainly due to decrease in the value of the price dropping of the securities held.

Note 4: Increase in interest coverage, return on assets, return on equity, net profit before tax to paid-in capital, net profit ratio, earnings per share, cash flow ratio and cash reinvestment ratio: Mainly due to the increase of cash dividends received in the current period.

Note 5: Decrease in accounts receivable turnover, average days to sell inventory, accounts payable turnover (times), total assets turnover, cash flow adequacy ratio, and increase in average collection days, inventory turnover (times), property, plant, and equipment turnover, financial leverage: Mainly due to the sale of houses and lands pending for sale in the last period, and no such condition in the current period.

Note 6: Decrease in operating leverage: Mainly due to increase in operating losses during the current period.

1. Financial structure

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Ratio of long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (Current assets-Inventories-Prepayments)/Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense/ Interest expense in the current period.

3. Operating performance

- (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = Net sales/ Balance of average receivables for each period (including accounts receivable and notes receivable arising from operations).
- (2) Average collection days = 365/Receivables turnover.
- (3) Inventory turnover = sales cost/average inventory.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover = Cost of sales/Balance of average payables for each period (including accounts payable and notes payable arising from operations).
- (5) Average sales days = 365/inventory turnover.
- (6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.
- (7) Total assets turnover = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Profit or loss after tax + Interest expense x (1-Tax rate)] / Average total assets.
- (2) Return on equity = Profit or loss after tax/Average total equity.
- (3) Net profit margin = after-tax profit/net sales.
- (4) Earnings per share = (Profit or loss attributable to owners of the parent company - Dividends from preferred stock)/Weighted average number of outstanding shares.

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities/current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the last five years/(Capital expenditure + Increase in inventories + Cash dividends) in the last five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income/ (Operating income - Interest expense).

(II) Parent Company Only Financial Statements

Analysis item		Financial Analysis in the Last Five Years					The current year up to March 31, 2022
		2018	2019	2020	2021	2022	
Financial structure %	Debt to assets ratio (Note 2)	28.95	31.07	24.94	11.08	16.03	
	Long-term funds to property, plant and equipment ratio (Note 2)	7,209.05	7,239.87	10,044.13	23,442.04	14,723.65	
Solvency %	Current ratio (Note 2)	59.82	59.72	153.26	653.75	336.21	
	Quick ratio (Note 2)	57.08	58.47	151.84	653.44	335.66	
	Interest coverage ratio (Note 3)	(13.98)	(14.61)	(10.58)	9.42	20.52	
Operating performance	Accounts receivable turnover (times)	2.93	2.02	2.54	2.57	2.55	
	Average collection days	125.00	180.69	143.75	142.10	143.09	
	Inventory turnover (times) (Note 4)	3.04	2.67	5.08	9.36	75.76	
	Accounts payable turnover (times) (Note 5)	11.55	8.38	9.22	8.71	6.65	
	Average inventory turnover days (Note 4)	120.07	136.70	71.85	39.00	4.82	
	Property, plant and equipment turnover (times)	0.66	0.63	0.69	0.77	0.86	
	Total assets turnover (times) (Note 1)	0.03	0.03	0.03	0.02	0.02	
Profitability	Return on assets (%) (Note 3)	(4.11)	(4.58)	(3.02)	1.34	2.84	
	Return on equity (%) (Note 3)	(6.06)	(6.99)	(4.57)	1.42	3.11	
	Pre-tax income to paid-in capital ratio (%) (Note 3)	(6.41)	(6.90)	(5.22)	3.24	8.14	
	Net profit margin (%) (Note 3)	(141.63)	(168.68)	(121.13)	70.00	160.32	
	Earning per share (NT\$) (Note 3)	(0.64)	(0.69)	(0.52)	0.32	0.81	
Cash flow	Cash flow ratio (%) (Note 3)	0.00	3.71	0.25	9.66	34.62	
	Cash flow adequacy ratio (%) (Note 3)	46.56	213.14	82.09	388.13	1,741.63	
	Cash reinvestment ratio (%) (Note 3)	0.00	1.57	0.07	1.10	5.80	
Leverage	Operating leverage (Note 6)	(2.05)	(0.95)	(0.82)	(0.73)	(3.93)	
	Financial leverage (Note 6)	0.68	0.75	0.78	0.85	0.59	

Note 1: The reasons for the increase or decrease of various financial ratios by at least 20% in the last two years are described below:

Note 2: Increase in debt ratio, decrease of ratio of long-term funds to property, plant and equipment, current ratio and quick ratio: Mainly due to decrease in the value of the price dropping of the securities held.

Note 3: Increase in interest coverage, return on assets, return on equity, net loss before tax to paid-in capital, net profit ratio, earnings per share, cash flow ratio, cash flow adequacy ratio, and cash reinvestment ratio: Mainly due to the increase of dividend revenue received.

Note 4: Increase in inventory turnover (times) and decrease in average turnover days: It is mainly because of the single customer after the organizational adjustment.

Note 5: Decrease of accounts payable turnover (times): It is mainly because of the increase in purchases from the previous period.

Note 6: Increase in operating leverage and decrease in financial leverage: It is mainly because of the decrease in operating loss for the period.

1. Financial structure

- (1) Debt to assets ratio = total liabilities/total assets.
- (2) Ratio of long-term funds to property, plant and equipment = (Total equity + Non-current liabilities) / Net property, plant and equipment.

2. Solvency

- (1) Current ratio = current assets/current liabilities.
- (2) Quick ratio = (Current assets-Inventories-Prepayments)/Current liabilities.
- (3) Interest coverage ratio = Net income before income tax and interest expense/ Interest expense in the current period.

3. Operating performance

- (1) Receivables (including accounts receivable and notes receivable arising from operations) turnover = Net sales/ Balance of average receivables for each period (including accounts receivable and notes receivable arising from operations).
- (2) Average collection days = 365/Receivables turnover.
- (3) Inventory turnover = sales cost/average inventory.
- (4) Payables (including accounts payable and notes payable arising from operations) turnover = Cost of sales/Balance of average payables for each period (including accounts payable and notes payable arising from operations).
- (5) Average sales days = 365/inventory turnover.
- (6) Property, plant and equipment turnover = Net sales/Average net property, plant and equipment.
- (7) Total assets turnover = Net sales/Average total assets.

4. Profitability

- (1) Return on assets = [Profit or loss after tax + Interest expense x (1-Tax rate)] / Average total assets.
- (2) Return on equity = Profit or loss after tax/Average total equity.
- (3) Net profit margin = after-tax profit/net sales.
- (4) Earnings per share = (Profit or loss attributable to owners of the parent company - Dividends from preferred stock)/Weighted average number of outstanding shares.

5. Cash flow

- (1) Cash flow ratio = Net cash flow from operating activities/current liabilities.
- (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the last five years / (Capital expenditure + Increase in inventories + Cash dividends) in the last five years.
- (3) Cash flow reinvestment ratio = (Net cash flow from operating activities - Cash dividends) / (Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).

6. Leverage:

- (1) Operating leverage = (Net operating revenue - Variable operating costs and expenses) / Operating income.
- (2) Financial leverage = Operating income/ (Operating income - Interest expense).

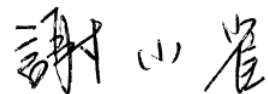
III. Audit Committees' Review Report

Audit Committees' Review Report

The Board of Directors submitted the Company's 2022 business report, financial statements, and a loss compensation proposal to us. After review, we found no inconsistency. Of them, the financial statements were also reviewed by Earnest & Co. Therefore, we have issued a report for your review in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

2023 General Shareholders' Meeting of Shihlin Paper Co., Ltd.

Convener of the Audit Committee:
Hsiao-Chueh Hsieh



March 13, 2023

IV. 2022 Consolidated Financial Statement

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Shihlin Paper Co., Ltd. (the Company) and its subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets for January 1 to December 31, and the consolidated statements of comprehensive income, changes in equity, cash flows for the years then ended, and the notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for January 1 to December 31, 2022 and 2021 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis of Opinion

We conducted our audits in accordance with the 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 consolidated financial statements of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountants 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 consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Income recognition

For the accounting policy of revenue, please refer to Note (IV)15 for income recognition of the consolidated financial statements.

As part of the sales income of the Group is from sales to distributors, and the Group shall pay incentives, slotting fees, and advertising sponsorship fees to distributors upon contract signing, and part of the inventory is stored in the distributors' warehouses. Thus, contract conditions may affect income recognition, so income recognition is a key audit item.

Corresponding audit procedure

Our main audit procedure is as follows:

- Assess the reasonableness of the accounting treatment of income recognition (including sales discounts and returns).
- Test the effectiveness of the internal control system design and implementation with regard to income.
- Analyze the new sales customers for the current period who are related parties with a significant transaction amount or rank among the top ten sales customers to confirm that the income recognition is in line with the realization principle.
- Test the sales samples for a period before and after the end of the year according to the delivery conditions to evaluate the correctness during the income recognition period.

Tangible asset impairment assessment

For the accounting policy for tangible asset impairment, please refer to Note (IV) 11 of the consolidated financial statements; for the uncertainty of accounting estimates and assumptions in assessing tangible asset impairment, please refer to Note (V) of the consolidated financial statements.

As of December 31, 2022, the Group's property, plant, and equipment amounted to NT\$1,635,475 thousands, and the investment property amounted to NT\$4,260,464 thousands. We assess whether there are any signs that the Group's 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. Because the total amount of tangible assets mentioned above was NT\$5,895,939 thousand (63.41% of the total consolidated assets), and the estimation of the recoverable amount involved many assumptions and estimates, the impairment assessment of tangible assets is a key audit matter.

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.

Other Matters

Shihlin Paper Co., Ltd. has prepared parent company only financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report with unqualified opinions for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by

Securities Issuers and IFRSs endorsed and issued into effect by the FSC 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 consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate Group 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 Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, either due to fraud or error, and to issue an auditors' report. The term reasonable assurance refers to a high level of assurance. Nevertheless, the audit performed according to the Generally Accepted Auditing Standards cannot guarantee the discovery of material misstatements in the consolidated financial statements. 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 consolidated 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 consolidated 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 of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from 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 Group'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 Group'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 consolidated financial statements in our auditors' report to the relevant disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our

conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the relevant notes, and whether the consolidated 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 Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

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 consolidated financial statements for the year ended December 31, 2022 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 13, 2023

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated 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 consolidated financial statements shall prevail.

Shihlin Paper Co., Ltd. and Its Subsidiaries
Consolidated Balance Sheets
December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Asset		Note	December 31, 2022		December 31, 2021		LIABILITIES AND EQUITY			December 31, 2022		December 31, 2021		
Code	Accounting Items		Amount	%	Amount	%	Code	Accounting Items	Note	Amount	%	Amount	%	
Current assets													Current liabilities	
1100	Cash and cash equivalents	(IV) and (VI)	\$ 175,393	1.88	\$ 38,502	0.31	2100	Short-term borrowings	(VI)	\$ 2,339,000	25.15	\$ 1,556,000	12.51	
1110	Financial Assets at FVTPL	(IV) and (VI)	786	0.01	11,284	0.09	2110	Short-term bills payable	(VI)	—	—	778,114	6.26	
							2130	Contract liability	(IV) and (VII)	36,748	0.40	7,758	0.06	
1120	Financial Assets at FVTOCI	(IV) and (VI)	3,058,871	32.90	6,565,620	52.80	2170	Accounts payable		10,784	0.12	10,427	0.08	
1136	Financial assets at amortized cost	(IV) and (VI)	—	—	4,322	0.04	2200	Other payables	(VII)	35,455	0.38	17,942	0.15	
							2300	Other current liabilities		482	0.00	530	0.01	
1150	Note receivable	(IV) and (VI)	336	0.00	492	0.00	21XX	Total current liabilities		2,422,469	26.05	2,370,771	19.07	
1170	Net accounts receivable	(IV), (VI), and (VII)	52,695	0.57	49,913	0.40								
1200	Other receivables	(IV)	4,591	0.05	1,021	0.01								
1300	Net balance of inventory	(IV) and (VI)	13,707	0.15	18,658	0.15		Non-current liabilities						
1410	Prepayments	(VI) and (VII)	32,212	0.35	22,238	0.18	2540	Long-term borrowings	(VI)	105,607	1.14	320	0.00	
1470	Other current assets	(VI)	126	0.00	99	0.00	2570	Deferred tax liabilities		1,592,156	17.12	1,592,156	12.81	
11XX	Total current assets		3,338,717	35.91	6,712,149	53.98	2645	Guarantee deposits received		13,882	0.15	14,107	0.11	
							25XX	Total non-current liabilities		1,711,645	18.41	1,606,583	12.92	
							2XXX	Total liabilities		4,134,114	44.46	3,977,354	31.99	
non-current assets														
1517	Financial Assets at FVTOCI	(IV) and (VI)	7,441	0.08	5,116	0.04								
1600	Property, Plant, and Equipment	(IV), (VI), and (VIII)	1,635,475	17.59	1,308,210	10.52	31XX	Equity attributable to owners of parent						
1760	Investment Property	(IV), (VI), and (VIII)	4,260,464	45.82	4,399,752	35.38	3100	Share capital	(VI)					
1780	Intangible asset	(IV) and (VI)	6,866	0.07	8,195	0.07	3110	Share capital of ordinary shares		2,600,391	27.97	2,600,391	20.91	
1920	Refundable deposits	(VII)	1,082	0.01	607	0.01		Retained earnings	(VI)					
1975	Net defined benefit assets	(IV) and (VI)	783	0.01	442	0.00	3320	Special reserve		1,532,258	16.48	1,532,258	12.32	
1900	Other non-current assets	(VI)	47,460	0.51	—	—	3350	Deficit to be offset		(1,480,765)	(15.93)	(1,692,848)	(13.61)	
15XX	Total non-current assets		5,959,571	64.09	5,722,322	46.02	3300	Total retained earnings		51,493	0.55	(160,590)	(1.29)	
							3400	Other equity interest		2,512,290	27.02	6,017,316	48.39	
							3XXX	Total equity		5,164,174	55.54	8,457,117	68.01	
Total assets			\$ 9,298,288	100.00	\$ 12,434,471	100.00	Total liabilities and equity			\$ 9,298,288	100.00	\$ 12,434,471	100.00	

The accompanying notes are an integral part of the consolidated financial statements.

Shihlin Paper Co., Ltd. and its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 165,058	100.00	\$ 326,024	100.00
5000	Operating costs	(VI) and (VII)	88,913	53.87	149,523	45.86
5900	Gross operating profit		76,145	46.13	176,501	54.14
	Operating expenses					
6100	Selling expenses	(VII)	60,196	36.47	58,017	17.80
6200	Administrative expenses	(VII)	114,644	69.46	138,972	42.63
6300	R&D expenses	(VII)	4,529	2.74	6,071	1.86
6000	Total operating expenses		179,369	108.67	203,060	62.29
6900	Operating losses		(103,224)	(62.54)	(26,559)	(8.15)
	Non-operating revenue and expense					
7010	Other income	(VI)	352,545	213.59	138,473	42.47
7020	Other gains and losses	(VI)	(9,722)	(5.89)	(554)	(0.17)
7050	Financial costs	(VI)	(27,819)	(16.85)	(22,741)	(6.97)
7000	Total non-operating revenue and expenses		315,004	190.85	115,178	35.33
7900	Net income before tax		211,780	128.31	88,619	27.18
7950	Income tax expense	(IV) and (VI)	-	-	4,370	1.34
8200	Net income for the current period		211,780	128.31	84,249	25.84
	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)	303	0.18	144	0.05
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	(3,505,026)	(2,123.51)	4,960,039	1,521.37
8300	Total other comprehensive income (net of tax) for the current period		(3,504,723)	(2,123.33)	4,960,183	1,521.42
8500	Total comprehensive income (loss) for the current period for the current period		\$ (3,292,943)	(1,995.02)	\$ 5,044,432	1,547.26
8600	Net profit (loss) attributable to:					
8610	Owners of the parent company		\$ 211,780	128.31	\$ 84,249	25.84
8620	Non-controlling interests		-	-	-	-
			\$ 211,780	128.31	\$ 84,249	25.84
8700	Total comprehensive income attributable to:					
8710	Owners of the parent company		\$ (3,292,943)	(1,995.02)	\$ 5,044,432	1,547.26
8720	Non-controlling interests		-	-	-	-
			\$ (3,292,943)	(1,995.02)	\$ 5,044,432	1,547.26
	Earnings per share					
9750	Basic earnings per share	(VI)	\$ 0.81		\$ 0.32	

The accompanying notes are an integral part of the consolidated financial statements.

Shihlin Paper Co., Ltd. and its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

Item	Equity attributable to owners of parent						
	Share capital		Retained earnings			Other items of equity	
	Shares (thousand)	Amount	Special reserve	Deficit to be offset	Total retained earnings	Unrealized gain (loss) on financial assets at FVTOCI	Total Equity
Balance as of January 1, 2021	260,039	\$ 2,600,391	\$ 1,534,420	\$ (1,779,403)	\$ (244,983)	\$ 1,057,277	\$ 3,412,685
Net profit for 2021	-	-	-	84,249	84,249	-	84,249
Other comprehensive income for 2021	-	-	-	144	144	4,960,039	4,960,183
Total comprehensive income for 2021	-	-	-	84,393	84,393	4,960,039	5,044,432
Reversal of special reserve	-	-	(2,162)	2,162	-	-	-
Balance as of December 31, 2021	260,039	2,600,391	1,532,258	(1,692,848)	(160,590)	6,017,316	8,457,117
Net profit for 2022	-	-	-	211,780	211,780	-	211,780
Other comprehensive income for 2022	-	-	-	303	303	(3,505,026)	(3,504,723)
Total comprehensive income for 2022	-	-	-	212,083	212,083	(3,505,026)	(3,292,943)
Balance as of December 31, 2022	260,039	\$ 2,600,391	\$ 1,532,258	\$ (1,480,765)	\$ 51,493	\$ 2,512,290	\$ 5,164,174

The accompanying notes are an integral part of the consolidated financial statements.

Shihlin Paper Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Net income before tax for the current period	\$ 211,780	\$ 88,619
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	13,314	14,133
Amortization expense	1,544	1,474
Net gain on financial assets at FVTPL	(11)	(19)
Interest expense	27,819	22,741
Interest income	(146)	(5,804)
Dividend income	(347,383)	(31,363)
Net loss (gain) on disposal of property, plant and equipment	330	(272)
Loss from disposal of investment property	9,564	-
Changes in operating assets and liabilities:		
Decrease in notes receivable	156	37
Increase in accounts receivable	(2,782)	(1,049)
Increase in other receivables	(3,570)	(614)
Decrease in inventories	4,951	55,728
Increase in prepayments	(9,974)	(383)
Decrease (increase) in other current assets	(27)	6
Increase in net defined benefit assets	(38)	(35)
Increase in contract liability	28,990	5,242
Increase in accounts payable	357	3,263
Decrease in other payables	(5,853)	(3,344)
Decrease in other current liabilities	(48)	(282)
Cash inflow (outflow) from operating activities	(71,027)	148,078
Interest received	146	5,804
Dividends received	347,383	31,363
Income tax paid	-	(8,254)
Net cash inflow from operating activities	276,502	176,991

(Continued on the next page)

Shihlin Paper Co., Ltd. and its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2022	2021
Cash flows from investing activities:		
Acquisition of Financial Assets at FVTOCI	\$ (602)	\$ (12)
Decrease (Increase) in financial assets at amortized cost	4,322	(2,926)
Proposal of financial assets at FVTPL	10,509	3,590
Acquisition of Property, Plant and Equipment	(162,681)	(4,971)
Proceeds from disposal of property, plant and equipment	-	272
Acquisition of investment property	(26,236)	(2,999)
Acquisition of intangible assets	(215)	(186)
Decrease (increase) in refundable deposits	(475)	126
Increase in other non-current assets	(47,460)	-
Net cash used in investing activities	(222,838)	(7,106)
Cash flows from financing activities:		
Short-term borrowings	11,603,000	9,236,500
Repayment of short-term loans	(10,820,000)	(9,768,000)
Borrowing of short-term bills payable	1,482,500	2,790,500
Repayment of short-term bills payable	(2,261,000)	(2,389,000)
Borrowing of long-term loans	105,287	320
Decrease in guarantee deposits received	(225)	(2,847)
Interest paid	(26,335)	(23,163)
Net cash inflow (outflow) from financing activities	83,227	(155,690)
Increase in cash and cash equivalents for the current period	136,891	14,195
Cash and cash equivalents at the beginning of the year	38,502	24,307
Cash and cash equivalents at year-end	\$ 175,393	\$ 38,502

The accompanying notes are an integral part of the consolidated financial statements.

Shihlin Paper Co., Ltd. and Its Subsidiaries

Notes to the Financial Statements

For the Years Ended December 31, 2022, and 2021

(Unit: NT\$ thousand, unless stated otherwise)

(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's colonial rule, the government took over five paper mills, including Shihlin, 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 Group's main business items are the sales of paper-processed products, wet wipes, facial masks, skincare products, and toiletries and the leasing of assets and investment and development. Please refer to Notes (IV).2 and (XIV) for details.

The consolidated financial statements of the Company and its subsidiaries are presented in the Company's functional currency, the New Taiwan dollar.

(II) The Authorization of Financial Statements

The consolidated financial statements were approved by the Company's Board of Directors on March 13, 2023.

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

1. Initial application of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Initial application of the IFRSs endorsed and issued into effect by the Financial Supervisory Commission (FSC) has no significant influence on the Group's accounting policies.

2. IFRSs applicable since 2023 and endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8, “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

As of the date of adopting the consolidated financial statements, the Group has continued to evaluate the impact of the standards and interpretations above on the Group’s financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

3. The IFRSs issued by IASB but not yet endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

As of the date of adopting the consolidated financial statements, the Group has continued to evaluate the impact of the standards and interpretations above on the Group’s financial position and financial performance, and the relevant impact will be disclosed when the evaluation is completed.

(IV) Summary of Significant Accounting Policies

1. Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed and issued into effect by the FSC.

2. Basis of consolidation

(1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the Company’s financial statements and the entities controlled by the Company (i.e. subsidiaries). When the Company is exposed to the variable remuneration of an entity or is entitled to such variable remuneration and can influence such remuneration through its power over the entity, it controls the entity.

The consolidated statements of comprehensive income already include each subsidiary's income and expenses from the day when control is obtained to the day when control is terminated.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with those used by the Group.

All intra-group transactions, account balances, income, and expenses are eliminated in full upon consolidation.

Allocation of the total comprehensive income to non-controlling interests

The total comprehensive income of the subsidiaries is attributable to the equity and non-controlling interests of owners of the Company, even if it results in a loss incurred to the non-controlling interests .

Changes in equity of ownership of subsidiaries

When the Group'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. It is treated as a transaction with owners. The carrying amounts of the Company and non-controlling interests have been adjusted to reflect their relative changes in equity of subsidiaries. The difference between the adjustment amount in non-controlling interests and the fair value of the consideration paid or received is directly recognized as equity, which is attributable to the Company's owners.

When the Group loses control of a subsidiary, the gains and losses on disposal are the differences between the two: (1) the sum of the fair value of the consideration received and the fair value of any retained investment in the said subsidiary at the date of loss of control; (2) the total carrying amount in said subsidiary's assets (including any goodwill), liabilities, and non-controlling interests at the date of loss of control. The Group's accounting treatment for all amounts previously recognized in other comprehensive income related to the said subsidiary is the same as the basis that the Group must follow to directly dispose of relevant assets or liabilities (i.e. reclassified to profit or loss according to the relevant IFRSs or reclassified directly to retained earnings).

(2) Subsidiaries included in consolidated financial statements

Investee	Nature of business	Location of company	% of Ownership	
			2022.12.31	2021.12.31
Sunshine Shihlin Development Co., Ltd.	Investment development	and Taipei City	100%	100%
Shihlin Environment Corporation	Investment development	and Taipei City	100%	100%
Sunnyfield Shihlin Co., Ltd.	Wholesale of daily necessities	Taipei City	100%	100%
Da Di Urban Renewal Construction Co., Ltd.	Urban renewal reconstruction	and Taipei City	100%	100%

3. Foreign currency

When each entity is preparing the financial statements, transactions in currencies other than the entity'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 with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date; however, where equity instruments may be issued for settlement based on the terms of the liabilities agreed by the counterparty, it does not affect the classification. Liabilities that are not current liabilities are classified as non-current liabilities.

The Group has entrusted a construction developer to construct residential and commercial buildings for sale, with a business cycle of more than one year. The assets and liabilities related to the construction business are classified as current or non-current based on the normal business cycle.

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 Group 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 are recognized on the consolidated balance sheets when the Group 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 Group are classified as financial assets at FVTPL, financial assets at amortized cost and investments in equity instruments at FVTOCI.

① Financial Assets at FVTPL

Financial assets at FVTPL include financial assets that are mandatorily at FVTPL. Financial assets mandatorily at FVTPL include investments in equity instruments that the Group has not specified to be at FVTOCI and investments in debt instruments that are not classified as at amortized cost or at FVTOCI.

Financial assets at FVTPL are at fair value, and the gains or losses resulting from remeasurement are recognized in profit or loss.

② Financial assets at amortized cost

When the Group'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.

③ Investments in equity instruments at FVTOCI

The Group 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 Group'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 Group assesses the impairment loss of financial assets at amortized cost (including trade receivables) 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 Group 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 Group 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 Group 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. Net realized value 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. 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 Group 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 Group 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.

9. 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 inventory, 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.

10. 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 Group 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 Group 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.

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

The Group 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 Group 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.

12. Leases

(1) The Group 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 Group 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.

13. 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.

14. 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.

15. Income recognition

After the Group 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.

16. 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 consolidated 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 Group 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 Group'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 Group 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	December 31, 2022	2021.12.31
Cash on hand	\$ 282	\$ 234
Check and demand (current) deposit Cash equivalents (bank time deposits with original maturity of less than 3 months)	170,717	38,268
	4,394	-
Total	\$ 175,393	\$ 38,502

As of December 31, 2021, bank time deposits with an original contract period of more than 3 months are for NT\$4,322 thousands and classified as financial assets at amortized cost.

2. Financial Assets at FVTPL

Financial Assets Mandatorily at FVTPL	2022.12.31	2021.12.31
Fuh Hwa Money Market	\$ 786	\$ 11,284

3. Financial Assets at FVTOCI

Item	2022.12.31	2021.12.31
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 3,058,871	\$ 6,565,620
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	7,441	5,116
Total	\$ 3,066,312	\$ 6,570,736

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

4. Financial assets at amortized cost

Item	2022.12.31	2021.12.31
Time deposit	\$ -	\$ 4,322

5. Notes and accounts receivable - net

Item	2022.12.31	2021.12.31
Note receivable	\$ 336	\$ 492
Trade receivable	\$ 52,695	\$ 49,913

In principle, the Group's credit period for trade receivable is 30 days after the invoice date or OA 30–90 days. The Group 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 Group 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 Group's notes receivable is overdue.

Aging analysis of trade receivable

	2022.12.31		2021.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 51,283	\$ -	\$ 49,794	\$ -
Past Due	1,412	-	119	-
	<u>\$ 52,695</u>	<u>\$ -</u>	<u>\$ 49,913</u>	<u>\$ -</u>

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

6. Inventories

Item	2022.12.31	2021.12.31
Merchandise	\$ 12,223	\$ 17,109
Raw materials	1,484	1,549
Net balance of inventory	<u>\$ 13,707</u>	<u>\$ 18,658</u>

The operating costs in relation to inventories in 2022 and 2021 were NT\$56,778 thousands and NT\$47,521 thousands, respectively. For 2022 and 2021, the Group sold inventories with valuation losses, and it resulted in gains on inventory value recovery of NT\$1,072 thousands and NT\$11,210 thousands respectively, which was debited to the operating cost of the current period.

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

7. Prepayments

Item	2022.12.31	2021.12.31
Prepayments and payments to suppliers	\$ 8,689	\$ 7,331
Office supplies	4,541	4,434
Offset against value-added tax payable	18,982	10,473
Total	<u>\$ 32,212</u>	<u>\$ 22,238</u>

8. Property, Plant and Equipment

Item	2022.12.31	2021.12.31
Land	\$ 1,403,183	\$ 1,252,071
Houses and buildings	30,308	21,732
Equipment	3,024	3,450
Transport Equipment	1,337	1,686
Other Equipment	2,384	3,074
Unfinished Construction Project	195,239	26,197
Total net amount	\$ 1,635,475	\$ 1,308,210

Cost							Unfinished	Total
	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Construction Project		
Balance as of 2022.1.1	\$ 1,252,071	\$ 108,038	\$ 17,944	\$ 4,683	\$ 23,281	\$ 26,197	\$ 1,432,214	
Additions	-	1,282	-	-	527	176,473	178,282	
Disposal	-	(3,698)	-	-	-	-	(3,698)	
Transfer from investment property	151,112	-	-	-	-	4,932	156,044	
Internal transfer	-	12,363	-	-	-	(12,363)	-	
Balance as of 2022.12.31	\$ 1,403,183	\$ 117,985	\$ 17,944	\$ 4,683	\$ 23,808	\$ 195,239	\$ 1,762,842	
Accumulated depreciation and impairment								
Balance as of 2022.1.1	\$ -	\$ 86,306	\$ 14,494	\$ 2,997	\$ 20,207	\$ -	\$ 124,004	
Depreciation expense	-	4,739	426	349	1,217	-	6,731	
Disposal	-	(3,368)	-	-	-	-	(3,368)	
Balance as of 2022.12.31	\$ -	\$ 87,677	\$ 14,920	\$ 3,346	\$ 21,424	\$ -	\$ 127,367	
Net amount of 2022.12.31	\$ 1,403,183	\$ 30,308	\$ 3,024	\$ 1,337	\$ 2,384	\$ 195,239	\$ 1,635,475	

Cost							Unfinished	Total
	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Construction Project		
Balance as of 2021.1.1	\$ 1,252,071	\$ 107,558	\$ 17,944	\$ 5,962	\$ 22,875	\$ 24,713	\$ 1,431,123	
Additions	-	480	-	1,744	406	2,341	4,971	
Disposal	-	-	-	(3,023)	-	-	(3,023)	
Transfer to investment property	-	-	-	-	-	(857)	(857)	
2022.12.31 Balance	\$ 1,252,071	\$ 108,038	\$ 17,944	\$ 4,683	\$ 23,281	\$ 26,197	\$ 1,432,214	
Accumulated depreciation and impairment								
Balance as of 2022.1.1	\$ -	\$ 81,082	\$ 14,031	\$ 5,962	\$ 19,005	\$ -	\$ 120,080	
Depreciation expense	-	5,224	463	58	1,202	-	6,947	
Disposal	-	-	-	(3,023)	-	-	(3,023)	
Balance of 2022.12.31	\$ -	\$ 86,306	\$ 14,494	\$ 2,997	\$ 20,207	\$ -	\$ 124,004	
Net amount of 2022.12.31	\$ 1,252,071	\$ 21,732	\$ 3,450	\$ 1,686	\$ 3,074	\$ 26,	\$ 1,308,210	

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

Houses and buildings	2 to 55 years
Machinery equipment	1 to 15 years
Transportation equipment	5 to 6 years
Other equipment	1 to 15 years

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

The amount of interest capitalization of the Group in 2022 was NT\$1,073 thousands, and the capitalized interest rate was 1.25%~2.255%.

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

9. Investment Property

Item	2022.12.31	2021.12.31
Land	\$ 4,106,907	\$ 4,239,698
Land improvements	2,224	643
Building	30,638	39,747
Investment property under construction	120,695	119,664
Total net amount	\$ 4,260,464	\$ 4,399,752

Cost	Land	Land Improvements	Building	Investment property under construction	Total
Balance as of 2022.1.1	\$ 4,239,698	\$ 701	\$ 480,228	\$ 119,664	\$ 4,840,291
Additions	18,321	1,952	-	5,963	26,236
Disposal	-	-	(18,387)	-	(18,387)
Transfer to investment property	(151,112)	-	-	(4,932)	(156,044)
Balance as of 2022.12.31	\$ 4,106,907	\$ 2,653	\$ 461,841	\$ 120,695	\$ 4,692,096
Accumulated depreciation and impairment					
Balance as of 2022.1.1	\$ -	\$ 58	\$ 440,481	\$ -	\$ 440,539
Depreciation expense	-	371	6,212	-	6,583
Disposal	-	-	(15,490)	-	(15,490)
Balance as of 2022.12.31	\$ -	\$ 429	\$ 431,203	\$ -	\$ 431,632
Net amount as of 2022.12.31	\$ 4,106,907	\$ 2,224	\$ 30,638	\$ 120,695	\$ 4,260,464

Cost	Land	Land Improvements	Building	Investment property under construction	Total
Balance as of 2021.1.1	\$ 4,239,698	\$ -	\$ 480,284	\$ 116,509	\$ 4,840,291
Additions	-	701	--	2,298	2,999
Disposal	-	--	(56)	-	(56)
Transfer from Property, Plant and Equipment	-	--	--	857	857
Balance as of 2021.12.31	\$ 4,239,698	\$ 701	\$ 480,228	\$ 119,664	\$ 4,840,291
Accumulated depreciation and impairment					
Balance as of 2021.1.1	\$ -	\$ -	\$ 433,409	\$ -	\$ 433,409
Depreciation expense	-	58	7,128	-	7,186
Disposal	-	--	(56)	-	(56)
Balance as of 2021.12.31	\$ -	\$ 58	\$ 440,481	\$ -	\$ 440,539
Net amount as of 2021.12.31	\$ 4,239,698	\$ 643	\$ 39,747	\$ 119,664	\$ 4,399,752

The Group'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 Group had provided as a guarantee for long/short-term borrowings, please refer to Note (VIII) for details.

The fair value of the Group's investment property as of December 31, 2022 and 2021 was NT\$31,407,919 thousands and NT\$32,489,346 thousands, respectively. The

fair value was appraised by an independent appraiser and was measured by the management using the third-level inputs and evaluated via the comparative method.

10. Intangible asset

Item	2022.12.31	2021.12.31
Computer software	\$ 5,952	\$ 7,196
Trademark	914	999
Total net amount	\$ 6,866	\$ 8,195

Cost	Computer software	Trademark	Total
Balance as of 2022.1.1	\$ 14,779	\$ 1,701	\$ 16,480
Additions	215	-	215
2022.12.31 Balance	\$ 14,994	\$ 1,701	\$ 16,695
<u>Accumulated amortization</u>			
Balance as of 2022.1.1	\$ 7,583	\$ 702	\$ 8,285
Amortization expense	1,459	85	1,544
2022.12.31 Balance	\$ 9,042	\$ 787	\$ 9,829
2022.12.31 Net amount	\$ 5,952	\$ 914	\$ 6,866

Cost	Computer software	Trademark	Total
Balance as of 2021.1.1	\$ 14,593	\$ 1,701	\$ 16,294
Additions	186	-	186
2021.12.31 Balance	\$ 14,779	\$ 1,701	\$ 16,480
<u>Accumulated amortization</u>			
Balance as of 2021.1.1	\$ 6,195	\$ 616	\$ 6,811
Amortization expense	1,388	86	1,474
2021.12.31 Balance	\$ 7,583	\$ 702	\$ 8,285
2021.12.31 Net amount	\$ 7,196	\$ 999	\$ 8,195

The above-mentioned intangible assets with limited useful life are amortized on a straight-line basis based on the useful life as follows:

Computer software	1–10 years
Trademark	20 years

11. Other assets

Item	2022.12.31	2021.12.31
Restricted bank deposit - value trust account	\$ 37,360	\$ -
Additional cost for acquisition of	10,100	-
Others	126	99
Total	\$ 47,586	\$ 99
Current	\$ 126	\$ 99
Non-current	47,460	-
Total	\$ 47,586	\$ 99

12. Short-term borrowings

Lending Banks	Nature	2022.12.31	2021.12.31
Bank of Taiwan	Secured borrowings	\$ 1,808,000	\$ 1,244,000
Jihsun Bank	Credit loans	218,000	150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	163,000	32,000
Shin Kong Commercial Bank Co., Ltd.	Credit loans	-	30,000
Mega International Commercial Bank	Secured borrowings	118,000	-
Mega International Commercial Bank	Credit loans	32,000	-
First Commercial Bank	Credit loans	-	100,000
		\$ 2,339,000	\$ 1,556,000
	Interest rate per annum	1.583%~2.025%	0.970%~1.500%

13. Short-term bills payable

Item	2022.12.31	2021.12.31
Short-term bills payable - face value	\$ -	\$ 778,500
Less: Discounts	-	(386)
Short-term bills payable - net	\$ -	\$ 778,114
Interest rate per annum	-	0.798%~1.738%

14. Long-term borrowings

Lending Banks	Financing	2022.12.31	2021.12.31
First Commercial Bank	Secured borrowings	\$ 105,607	\$ 320
Interest rate per annum		2.255%	1.63%

15. Post-employment benefit plans

(1) Defined contribution plans

The pension system of the Labor Pension Act applicable to the Company and Sunshine Shihlin Development Co., Ltd. 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).21 for the pension expenses recognized by the Group 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:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of the defined benefit obligations	\$ 1,968	\$ 2,064
Fair value of plan assets	<u>(2,751)</u>	<u>(2,506)</u>
Net defined benefit assets	<u>\$ (783)</u>	<u>\$ (442)</u>

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

	<u>2022</u>	<u>2021</u>
Present value of the defined benefit obligations at the beginning of the year	\$ 2,064	\$ 2,166
Service cost	-	-
Interest expense	15	7
Remeasurement		
Actuarial losses - experience adjustments	54	2
Actuarial losses - changes in financial assumptions	-	1
Actuarial gains (losses) - changes in financial assumptions	<u>(165)</u>	<u>(112)</u>
Present value of the defined benefit obligations at year-end	<u>\$ 1,968</u>	<u>\$ 2,064</u>

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets, at the beginning of the year	\$ 2,506	\$ 2,429
Interest income	18	8
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	192	35
Employer's contribution	<u>35</u>	<u>34</u>
Fair value of plan assets at year-end	<u>\$ 2,751</u>	<u>\$ 2,506</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:

	<u>2022</u>	<u>2021</u>
Service cost	\$ -	\$ -
Net interest	<u>(3)</u>	<u>(1)</u>
Total	<u>\$ (3)</u>	<u>\$ (1)</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 Group 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	
	2022.12.31	2021.12.31
Discount rate	1.40%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the defined benefit obligations	
	2022.12.31	2021.12.31
Discount rate		
Increase by 0.25%	(3.01%)	(3.24%)
Decrease by 0.25%	3.13%	3.37%
Expected increase rate of salaries		
Increase by 0.25%	3.13%	3.35%
Decrease by 0.25%	(3.03%)	(3.24%)

The Company expects to contribute NT\$34 thousands to the defined benefit plan within one year after December 31, 2022.

The average maturity period of the definite benefit obligations as of December 31, 2022 and 2021 was 12 and 13 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
2022	\$ -	\$ 51
2023	54	51
2024	53	50
2025	52	49
2026	51	48
2027 onward	2,136	2,032
	<u>\$ 2,346</u>	<u>\$ 2,281</u>

16. Equity

(1) Share capital of ordinary shares

	<u>2022.12.31</u>	<u>2021.12.31</u>
Authorized capital	\$ 2,800,000	\$ 2,800,000
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.

② The 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.

(3) The information on the reversal of the special reserve for the first-time adoption of IFRSs due to the elimination of the reasons for the recognition is as follows:

	<u>2022</u>	<u>2021</u>
Beginning retained earnings	\$ 1,532,258	\$ 1,534,420
Reversal of special reserve due to the elimination of the original reason for provision:		
Sale of land by subsidiaries	-	(2,162)
Ending balance	<u>\$ 1,532,258</u>	<u>\$ 1,532,258</u>

17. Operating revenue

	<u>2022</u>	<u>2021</u>
Income from sales of goods	\$ 78,113	\$ 72,466
Revenue from construction projects	-	136,244
Rental income	69,225	71,750
Guest room income	17,720	45,564
Total	<u>\$ 165,058</u>	<u>\$ 326,024</u>

18. Other income

	<u>2022</u>	<u>2021</u>
Interest income	\$ 146	\$ 5,804
Dividend income	347,383	31,363
Other income	5,016	101,306
Total	<u>\$ 352,545</u>	<u>\$ 138,473</u>

19. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net exchange gain (loss)	\$ 765	\$ (71)
Gain on financial assets at FVTPL	11	19
Net gain (loss) from the disposal of property, plant, equipment and investment property	(9,894)	272
Other losses	<u>(604)</u>	<u>(774)</u>
Total	<u>\$ (9,722)</u>	<u>\$ (554)</u>

20. Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank borrowings	\$ 24,487	\$ 16,804
Commercial paper	3,224	5,846
Imputed interest on deposit	<u>108</u>	<u>91</u>
Total	<u>\$ 27,819</u>	<u>\$ 22,741</u>

21. Additional Information on Nature of Expenses

Net income includes the following items:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 6,731	\$ 6,947
Depreciation of investment property	6,583	7,186
Amortization of intangible assets	<u>1,544</u>	<u>1,474</u>
Total	<u>\$ 14,858</u>	<u>\$ 15,607</u>

	<u>2022</u>	<u>2021</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 15,789	\$ 21,705
Direct operating expenses of investment property that does not generate rental income	<u>37,874</u>	<u>44,948</u>
Total	<u>\$ 53,663</u>	<u>\$ 66,653</u>
R&D expenditures expensed when incurred	<u>\$ 4,529</u>	<u>\$ 6,071</u>
Employee benefits expense		
Post-employment benefits (Note (VI).15)		
Defined contribution plans	\$ 2,977	\$ 2,874
Defined benefit plan	(3)	(1)
Salaries and bonuses	53,804	69,340
Labor and health insurance expenses	6,077	5,936
Other employee benefit expenses	<u>3,465</u>	<u>3,178</u>
Total	<u>\$ 66,320</u>	<u>\$ 81,327</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, 2022 and 2021, 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.

22. Income tax

(1) Income tax recognized in profit or loss

The adjustment to current accounting income and income tax expenses recognized in profit or loss is as follows:

	<u>2022</u>	<u>2021</u>
Net income before tax	\$ 211,780	\$ 88,619
Income tax expense at the statutory tax rate (20%) for net income before tax	\$ 42,356	\$ 17,724
Tax effects of adjustments:		
Income from tax cessation and exemption	(70,450)	(25,059)
Effects of non-deductible expenses when determining taxable income	264	48
Temporary difference	(704)	(1,682)
Loss carryforwards in the current period	28,534	8,969
Land Value Increment Tax	-	4,370
Tax currently payable	\$ -	\$ 4,370

(2) Information on loss carryforwards

As of December 31, 2022, the Group's losses have not yet been carried forward and the deadlines are as follows:

<u>Balance</u>	<u>Deadline</u>
\$ 138,594	2023
163,339	2024
330,936	2025
105,952	2026
141,882	2027
192,139	2028
148,941	2029
137,795	2030
76,625	2031
113,288	2032
<u>\$ 1,549,491</u>	

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

	2022.12.31	2021.12.31
Loss carryforwards	\$ 1,511,540	\$ 1,573,507
Deductible temporary difference	14,812	16,417
Total	<u>\$ 1,526,352</u>	<u>\$ 1,589,924</u>

(4) Income tax assessments

The filings of profit-seeking enterprise income tax by the Company and Sunshine Shihlin Development Co., Ltd. have been assessed by the tax authorities up to 2019 except for 2018. Sunnyfield Shihlin Co., Ltd. has been assessed up to 2020, and Shihlin Environment Corporation up to 2018. However, the Company disagreed with the assessed results of the Sunshine Shihlin Development in 2019 and has filed a review under the consolidated tax returns system.

23. Earnings per share

	2022	2021
Basic earnings per share	<u>\$ 0.81</u>	<u>\$ 0.32</u>

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

	2022	2021
Net profit attributed to the owners of the parent company (NT\$ thousand)	<u>\$ 211,780</u>	<u>\$ 84,249</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

24. Non-cash transaction

	January to December 2022	January to December 2021
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 178,282	\$ 4,971
Increase in other payables	(15,601)	-
Pay cash	<u>\$ 162,681</u>	<u>\$ 4,971</u>
Disposal of investment property		
Increase in other payables	<u>\$ (6,667)</u>	<u>-</u>

25. Material lease arrangements

As of December 31, 2022 and 2021, the total amount in lease payments that the Group will receive in the future for the lease of investment property under operating leases is as follows:

Summary	2022.12.31	2021.12.31
Less than 1 year	\$ 53,213	\$ 58,206
1-2 years	51,201	46,900
2-3 years	48,448	46,741
3-4 years	46,934	44,387
4-5 years	31,173	43,028
Over 5 years	311,255	338,524
Total	<u>\$ 542,224</u>	<u>\$ 577,786</u>

26. 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.

27. Financial instruments

(1) Information on fair value

① The carrying amount in the Group's financial instruments that are not measured at fair value is a reasonable approximate value to their fair value, or their fair value cannot be reliably measured.

② Financial instruments at fair value

The fair value is divided into three levels based on observability:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; and
- Level 3 fair value refers to the fair value of the inputs for an asset or liability based on unobservable market data (unobservable inputs) measured through valuation techniques.

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

		2022.12.31			
		Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL					
Open-end bond funds	\$	786	\$ -	\$ -	\$ 786
Financial Assets at FVTOCI					
Stocks		3,058,871	-	7,441	3,066,312
Total	\$	<u>3,059,657</u>	<u>\$ -</u>	<u>\$ 7,441</u>	<u>\$ 3,067,098</u>
		2021.12.31			
		Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL					
Open-end bond funds	\$	11,284	\$ -	\$ -	\$ 11,284
Financial Assets at FVTOCI					
Stocks		6,565,620	-	5,116	6,570,736
Total	\$	<u>6,576,904</u>	<u>\$ -</u>	<u>\$ 5,116</u>	<u>\$ 6,582,020</u>

There were no transfers between Levels 1 and 2 in 2022 and 2021.

Reconciliation of Level 3 fair value measurements on financial instruments:

Financial asset	Financial Assets at FVTOCI	
	2022.12.31	2021.12.31
Beginning retained earnings	\$ 5,116	\$ 5,160
Purchase of financial assets at FVTOCI	2	-
Unrealized gains (losses) from investments in equity instruments at FVTOCI are recognized.	2,323	(44)
Ending balance	<u>\$ 7,441</u>	<u>\$ 5,116</u>

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	2022.12.31	2021.12.31
Financial Assets at FVTPL	\$ 786	\$ 11,284
Financial Assets at FVTOCI	3,066,312	6,570,736
Financial assets at amortized cost (Note)	<u>271,457</u>	<u>94,857</u>
Total	<u><u>\$ 3,338,555</u></u>	<u><u>\$ 6,676,877</u></u>

Financial liability	2022.12.31	2021.12.31
At amortized cost		
Short-term borrowings	\$ 2,339,000	\$ 1,556,000
Short-term bills payable	-	778,114
Accounts payable	10,784	10,427
Other payables and other current liabilities	35,763	18,184
Long-term borrowings	105,607	320
Guarantee deposits received	<u>13,882</u>	<u>14,107</u>
	<u><u>\$ 2,505,036</u></u>	<u><u>\$ 2,377,152</u></u>

Note: Including cash and cash equivalents, financial assets at amortized cost, notes, and trade receivables, other receivables, refundable deposits, and restricted bank deposits (recognized under other non-current assets).

(3) Financial risk management objective and policies

The Group'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 Group 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 Group 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 Group is exposed to market risks, including changes in interest rates and price changes of equity instruments. The Group does not manage relevant risks with derivative financial instruments.

① Interest rate risk

The Group's interest rate risk arises from long-term and short-term borrowings with floating interest rates. The Group maintains an appropriate

fixed and floating rate for the portfolio and also negotiates interest rates with correspondent banks irregularly in order to manage interest rate risk. Accordingly, no derivative 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 reporting period. If the interest rate increases/decreases by 0.25% and all other variables remain unchanged, the Group's net loss for 2022 and 2021 will increase/decrease by NT\$6,112 thousands and NT\$5,836 thousands, respectively.

② Other price risks

The Group is exposed to price risks due to investment in equity securities. Said investment is not held for trading but is a strategic investment. The Group 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 Group's other comprehensive income for 2022 and 2021 will increase/decrease by NT\$153,316 thousands and NT\$328,537 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 a financial loss to the Group. The Group'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 Group due to the counterparty's failure to perform its obligations is the carrying amount in the financial assets recognized on the consolidated balance sheets.

① Credit risk related to operations

In order to maintain the quality of trade receivable, the Group has established operations-related credit risk management procedures and

continuously evaluates the recovery of trade and notes receivable to avoid credit risk.

As of December 31, 2022 and 2021, the top two customers accounted for 70.57% and 72.79% of the Group's balance of trade receivables.

② Financial 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 Group'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 Group manages and maintains sufficient cash and cash equivalents to support its operations and reduce the impact of cash flow fluctuations. The Group's management monitors the drawdown of banks' financing facilities and ensures compliance with the terms of the borrowing contracts.

Bank loans are an essential source of liquidity for the Group. As of December 31, 2021 and 2020, the Group's undrawn financing facilities of bank loans and bills companies were NT\$2,215,180 thousand and NT\$1,175,500 thousand, respectively.

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

		December 31, 2021				
		Less than 30	31-60	61-90 days	Over 90	Total
		days	days		days	
<u>Non-derivative financial liabilities</u>						
Short-term						
borrowings	\$	262,000	\$ 102,000	\$ 150,000	\$ 1,042,000	\$ 1,556,000
Short-term bills payable		628,333	149,781	-	-	778,114
Accounts payable		5,203	5,223	-	1	10,427
Other payables		10,130	2,088	48	5,676	17,942
Other current liabilities		81	161	-	-	242
Long-term borrowings		-	-	-	320	320
Guarantee deposits received		-	-	-	14,107	14,107
	\$	<u>905,747</u>	<u>\$ 259,253</u>	<u>\$ 150,048</u>	<u>\$ 1,062,104</u>	<u>\$ 2,377,152</u>

		December 31, 2021				
		Less than 30	31-60	61-90 days	Over 90 days	Total
		days	days			
<u>Non-derivative financial liabilities</u>						
Short-term						
borrowings	\$	262,000	\$ 102,000	\$ 150,000	\$ 1,042,000	\$ 1,556,000
Short-term bills payable		628,333	149,781	-	-	778,114
Accounts payable		5,203	5,223	-	1	10,427
Other payables		10,130	2,088	48	5,676	17,942
Other current liabilities		81	161	-	-	242
Long-term borrowings		-	-	-	320	320
Guarantee deposits received		-	-	-	14,107	14,107
	\$	<u>905,747</u>	<u>\$ 259,253</u>	<u>\$ 150,048</u>	<u>\$ 1,062,104</u>	<u>\$ 2,377,152</u>

(VII) Related party transaction

1. Name and relationship

<u>Related Party Name</u>	<u>Relationship with the Group</u>
AP EZ GO Digital Information Co., Ltd.	Substantive related party
Wan Hang Tourism (Shanghai) Co., Ltd.	Substantive related party
Shanghai Yixing International Trade Co., Ltd.	Substantive related party
Ta Xing Securities Co., Ltd.	Substantive related party
Zhi Yi Investment Co., Ltd.	Substantive related party
Asia Pacific Logistics International Co., Ltd.	Substantive related party
AP Tour Co., Ltd.	Substantive related party
Taiwan Evervaliant Corp.	Substantive related party
Taian Insurance Co, Ltd.	Substantive related party
Tian He Foundation	Substantive related party
New Taipei City Jin Li Social Welfare and Charity Foundation	Substantive related party
Wan Hai Charitable Foundation	Substantive related party
New Sincere Transportation Corp.	Substantive related party
Wan Hai Lines Ltd.	Substantive related party
Dao Qi Co., Ltd.	Substantive related party
Shi Feng Investment Co., Ltd.	Substantive related party
Yi Da Investment Co., Ltd.	Substantive related party
BAO Sheng Shipping Agency Co., Ltd.	Substantive related party
Hui-Jung Chen	Substantive related party
Yi Chao Industrial Co., Ltd.	Substantive related party
Xiang Deng Construction Co., Ltd.	Substantive related party
Dao Pu Co., Ltd.	Substantive related party
AP Oil Enterprise Co., Ltd.	Substantive related party
New Safety Transportation Corp.	Substantive related party
Tianhe Investment Co., Ltd.	Substantive related party

2. All transactions, account balances, income and expenses between the Group and its subsidiaries are written off completely upon consolidation; therefore, they are not disclosed in this Note. The transactions between the Group and other related parties are as follows:

(1) Business transaction

		2022				
		Operating revenue	Cost of rental sales	Selling expenses	Administrati ve expenses	Research expenses
Other related parties	\$	22,999	\$ 66	\$ 189	\$ 454	\$ 2
		2021				
		Operating revenue	Cost of rental sales	Selling expenses	Administrati ve expenses	Research expenses
Other related parties	\$	26,432	\$ 30	\$ 287	\$ 841	\$ 237
		2022.12.31				
		Trade receivable	Prepayment s	Refundable deposits	Contract liability	Others Payables
Other related parties	\$	1,045	\$ 65	\$ 6	\$ 52	\$ 18
		2021.12.31				
		Trade receivable	Prepayment s	Refundable deposits	Contract liability	Others Payables
Other related parties	\$	1,567	\$ 56	\$ 6	\$ 34	\$ 23

For transactions between the Group and related parties, the transaction price and terms of receipt and payment are not significantly different from those with non-related parties. Rental expense is determined by market conditions and is paid monthly.

(2) The agricultural land is temporarily registered as the ownership of the related party.

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

(3) Remuneration to key management personnel

	2021		2020	
Short-term benefits	\$	19,770	\$	2,544
Post-employment benefits		101		101
	\$	<u>19,871</u>	\$	<u>2,645</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 Group has pledged the following assets for long/short-term borrowings, and the details of their carrying amounts are as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Property, plant and equipment:		
Land	\$ 1,202,691	\$ 1,051,579
Houses and buildings	<u>1,049</u>	<u>1,593</u>
	<u>1,203,740</u>	<u>1,053,172</u>
Investment property:		
Land	1,920,117	1,988,798
Buildings	<u>23,395</u>	<u>31,110</u>
	<u>1,943,512</u>	<u>2,019,908</u>
Total	<u>\$ 3,147,252</u>	<u>\$ 3,073,080</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2022 and 2021, the amount in guaranteed notes issued by the Group for bank borrowings was NT\$2,200,000 thousands and NT\$2,350,000 thousands, respectively.
2. For the information on endorsement/ guarantee provided by the Group for others, please refer to Table 2.
3. As of December 31, 2022, for the outsourcing construction contracts signed by the Group, the contract total amount was NT\$964,029 thousands, among which the construction amount already paid was NT\$157,065 thousands.

(X) Material disaster losses: None.

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

(XII) Others: None.

(XIII) Additional Disclosures

1. The Group's 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.

(10) Others: Significant transactions between the parent company and its subsidiaries, as well as between subsidiaries: See Table 4.

2. Information on investees: See Table 5.

3. Information on investments in mainland China: None.

4. Information on major shareholders: Refer to Table 6.

(XIV) Segments Information

Information reported to the chief operating decision-maker for resource allocation, and segment performance evaluation focuses on the types of goods or services delivered or provided. The Group's segments to be reported include the Consumer Goods Department and the Real Estate Development Department. The Consumer Goods Department is responsible for the sales of wet wipes and facial masks and leasing real estate. The Real Estate Development Department is in charge of developing, leasing, and urban renewal and reconstruction of residential property and buildings.

1. Information on the income and operating results of the Group's segments is as follows:

2022	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Income from external customers	\$ 126,982	\$ 38,076	\$ -	\$ 165,058
Inter-segment income	33	-	(33)	-
Total income	<u>\$ 127,015</u>	<u>\$ 38,076</u>	<u>\$ (33)</u>	<u>\$ 165,058</u>
Interest income	<u>\$ 266</u>	<u>\$ 65</u>	<u>\$ (185)</u>	<u>\$ 146</u>
Interest expense	<u>\$ 11,409</u>	<u>\$ 16,595</u>	<u>\$ (185)</u>	<u>\$ 27,819</u>
Depreciation and amortization	<u>\$ 9,020</u>	<u>\$ 5,838</u>	<u>\$ -</u>	<u>\$ 14,858</u>
Segment profit or loss	<u>\$ 294,292</u>	<u>\$ (82,512)</u>	<u>\$ -</u>	<u>\$ 211,780</u>
Capital expenditure of non-current assets	<u>\$ 4,656</u>	<u>\$ 200,077</u>	<u>\$ -</u>	<u>\$ 204,733</u>
Assets from external entities	\$ 3,420,587	\$ 5,877,701	\$ -	\$ 9,298,288
Inter-segment transactions	6,667	-	(6,667)	-
Segment assets	<u>\$ 3,427,254</u>	<u>\$ 5,877,701</u>	<u>\$ (6,667)</u>	<u>\$ 9,298,288</u>
Liabilities from external entities	<u>\$ 979,503</u>	<u>\$ 3,154,611</u>	<u>\$ -</u>	<u>\$ 4,134,114</u>
2021	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Income from external customers	\$ 119,212	\$ 206,812	\$ -	\$ 326,024
Inter-segment income	190	5	(195)	-
Total income	<u>\$ 119,402</u>	<u>\$ 206,817</u>	<u>\$ (195)</u>	<u>\$ 326,024</u>
Interest income	<u>\$ 5,798</u>	<u>\$ 6</u>	<u>\$ -</u>	<u>\$ 5,804</u>
Interest expense	<u>\$ 10,338</u>	<u>\$ 12,403</u>	<u>\$ -</u>	<u>\$ 22,741</u>
Depreciation and amortization	<u>\$ 9,489</u>	<u>\$ 6,118</u>	<u>\$ -</u>	<u>\$ 15,607</u>
Segment profit or loss	<u>\$ 61,968</u>	<u>\$ 22,281</u>	<u>\$ -</u>	<u>\$ 84,249</u>
Capital expenditure of non-current assets	<u>\$ 3,275</u>	<u>\$ 4,881</u>	<u>\$ -</u>	<u>\$ 8,156</u>
Assets from external entities	\$ 6,842,354	\$ 5,592,117	\$ -	\$ 12,434,471
Inter-segment transactions	1	-	(1)	-
Segment assets	<u>\$ 6,842,355</u>	<u>\$ 5,592,117</u>	<u>\$ (1)</u>	<u>\$ 12,434,471</u>
Liabilities from external entities	<u>\$ 1,092,274</u>	<u>\$ 2,885,080</u>	<u>\$ -</u>	<u>\$ 3,977,354</u>

2. Information on segments by location

	<u>2022</u>	<u>2021</u>
Income from external customers		
Region:		
Taiwan	\$ 163,093	\$ 322,668
Europe	1,209	1,757
Asia	756	1,435
America	-	164
	<u>\$ 165,058</u>	<u>\$ 326,024</u>

All non-current assets of the Company are located in Taiwan.

3. Information on major customers

The income from a single customer that exceeds at least 10% of the Group's operating revenue is listed as follows:

	<u>2022</u>	<u>2021</u>
Customer A from the Consumer Goods Department	<u>\$ 17,933</u>	<u>\$ 17,902</u>
From Customer B of the Real Estate Development Department	<u>\$ -</u>	<u>\$ 73,511</u>
From Customer C of the Real Estate Development Department	<u>\$ -</u>	<u>\$ 52,257</u>

Shihlin Paper Co., Ltd.

Financing Provided to Others

2022

Table 1

Unit: NT\$ thousand

Serial 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 loaning of funds	Business Transaction Amounts	Reason for the necessity of short-term financing	Amount in provision of allowance for bad debt	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	-	Yes	\$200,000	\$200,000	-	-	Need for short-term financing	-	Operating capital	-	-	-	\$1,032,835	\$2,065,670
		Shihlin Environment Corporation	-	Yes	\$300,000	\$300,000	-	-	Need for short-term financing	-	Operating capital	-	-	-	\$1,032,835	\$2,065,670

Note 1: The amount in financial to an individual borrower is limited to 20% of the net value of the most recent parent company only financial statements because 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
2022

Table 2

Unit: NT\$ thousand

Serial 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	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	-	15.49%	\$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	21.27%	\$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 the investee. the Company directly or indirectly holds at least 90% of the ordinary shares, so it is limited to not more than 1x 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.

Note 3: The calculation method of the amount to 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 holds 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 the end of the period (excluding investments in subsidiaries, associates, and joint ventures)
 December 31, 2022

Table 3

Unit: NT\$ 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	3,034,807	1.35%	3,034,807
	Stocks of China Development	-	Financial assets at FVTOCI - Current	114,445	1,442	0.00%	1,442
	Stocks of First Financial Holding	-	Financial assets at FVTOCI - Current	270,437	7,166	0.00%	7,166
	Stocks of Far Eastern International Bank	-	Financial assets at FVTOCI - Current	99,240	1,091	0.00%	1,091
	Stocks of Cathay Financial Holdings	-	Financial assets at FVTOCI - Current	184,466	7,379	0.00%	7,379
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - Current	68,146	1,186	0.01%	1,186
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - Current	400,000	5,800	0.03%	5,800
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - Non-Current	3,330	7,439	4.17%	7,439
Sunshine Shihlin	Shares of Tamshui First Credit Bank	-	Financial Assets at FVTOCI - Non-Current	20	2	0.00%	2
Shihlin Environment	Fuh Hwa Money Market	-	Financial assets at FVTPL - current	53,728.8	786	-	786

Note: Refer to Table 5 for the information on subsidiaries, associates, and joint venture equity.

Shihlin Paper Co., Ltd. and Its Subsidiaries

Significant intercompany transactions
2022

Table 4

Unit: NT\$ thousand

Serial No.	Transaction Company	Counterparty	Relationship with transaction counterparty (Note 1)	Transaction			
				Account	Amount (Note 2)	Transaction Terms	Percentage of the consolidated total revenue or assets
0	Shihlin Paper Co., Ltd.	Sunnyfield Shihlin	1	Sale	62,881	Same as general transaction counterparties	38.10%
				Income from labor services	19,508		11.82%
				Other income	859		0.52%
				Purchase	131		0.08%
				Trade receivable	16,570		0.18%
				Other receivables	7		0.00%
Accounts payable	2	0.00%					
		Other payables	3,845	0.04%			
		Shihlin Environment	1	Interest income	177	Same as general transaction counterparties	0.11%
		Sunshine Shihlin	1	Interest income	7	Same as general transaction counterparties	0.00%
				Other receivables	6,667		0.07%
1	Sunnyfield Shihlin	Sunshine Shihlin	2	Sale	32	Same as general transaction counterparties	0.02%

Note 1: The relationship with related parties is:

1. Parent to subsidiary
2. Subsidiary to subsidiary

Note 2: Eliminated in full in the consolidated financial statements.

Shihlin Paper Co., Ltd. and Its Subsidiaries
Information on Investees (Name and Location)
2022

Table 5

Unit: NT\$ 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 (Note 2)	Remarks
				End of the period	End of Last Year	Shares	Ratio	Carrying amount (Note 2)			
Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Taipei City	Investment and development	115,075	15,075	11,500,000	100.00	123,492	(75)	(75)	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419 (Note 1)	3,806,419	200,100,000	100.00	2,599,598	(82,437)	(82,437)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	200,000	30,000,000	100.00	82,342	(26,919)	(26,820)	
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 3)

Note 1: Of the amount, NT\$3,805,419 thousand 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: Eliminated in full in the consolidated financial statements.

Note 3: It has closed business since January 1, 2022.

Shihlin Paper Co., Ltd.
Information on main investors
December 31, 2022

Table 6

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. The share capital recorded in the Company's financial statements and the Company's actual number of shares delivered with dematerialized registration completed may be different due to different calculation bases.

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 MOPS.

V. 2022 Parent Company Only Financial Statements

Independent Auditors' Report

Opinion

We have audited the accompanying financial statements of Shihlin Paper Co., Ltd. (the Company), which comprise the parent company only balance sheets as of December 31, 2022 and 2021, and the parent company only statements of comprehensive income, changes in equity, cash flows for January 1 to December 31, 2022 and 2021, and the notes to parent company only financial statements, including a summary of significant 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, 2022 and 2021, and its parent company only financial performance and its parent company only cash flows for January 1 to December 31, 2022 and 2021 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 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, 2022. 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, 2022 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 parent company only 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 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, 2022 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 13, 2023

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, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note	2022		2021	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 132,098	100.00	\$ 120,357	100.00
5000	Operating costs	(VI) and (VII)	69,848	52.88	74,157	61.62
5900	Gross operating profit		62,250	47.12	46,200	38.38
5910	Less: Unrealized sales profits		-	-	2,085	1.73
5920	Add: Realized sales profits		977	0.74	-	-
5950	Net operating profit		63,227	47.86	44,115	36.65
	Operating expenses					
6100	Selling expenses	(VII)	39,623	29.99	42,748	35.52
6200	Administrative expenses	(VII)	35,816	27.11	51,223	42.56
6300	R&D expenses	(VII)	3,525	2.67	4,866	4.04
6000	Total operating expenses		78,964	59.77	98,837	82.12
6900	Operating losses		(15,737)	(11.91)	(54,722)	(45.47)
	Non-operating revenue and expense					
7010	Other income	(VI) and (VII)	347,884	263.35	128,658	106.90
7020	Other gains and losses	(VI)	(185)	(0.14)	49	0.04
7050	Financial costs	(VI)	(10,850)	(8.21)	(10,008)	(8.31)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	(IV)	(109,332)	(82.77)	20,272	16.84
7000	Total non-operating revenue and expenses		227,517	172.23	138,971	115.47
7900	Net income before tax		211,780	160.32	84,249	70.00
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net income for the current period		211,780	160.32	84,249	70.00
	Other comprehensive income - net					
	Items that may not be reclassified subsequently to profit and loss					
	Gains (losses) on remeasurements of defined benefit plans	(IV) and (VI)	303	0.23	144	0.12
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	(3,505,026)	(2,653.35)	4,960,039	4,121.10
8300	Total other comprehensive income (net of tax) for the current period		(3,504,723)	(2,653.12)	4,960,183	4,121.22
8500	Total comprehensive income (loss) for the current period for the current period		\$ (3,292,943)	(2,492.80)	\$ 5,044,432	4,191.22
	Earnings per share					
9750	Basic earnings per share	(VI)	\$ 0.81		\$ 0.32	

The accompanying notes are an integral part of the financial statements

Shihlin Paper Co., Ltd.
Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021
(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, 2021	260,039	\$ 2,600,391	\$ 1,534,420	\$ (1,779,403)	\$ (244,983)	\$ 1,057,277	\$ 3,412,685
Net profit for 2021	-	-	-	84,249	84,249	-	84,249
Other comprehensive income for 2021	-	-	-	144	144	4,960,039	4,960,183
Total comprehensive income for 2021	-	-	-	84,393	84,393	4,960,039	5,044,432
Reversal of special reserve	-	-	(2,162)	2,162	-	-	-
Balance as of December 31, 2021	260,039	2,600,391	1,532,258	(1,692,848)	(160,590)	6,017,316	8,457,117
Net profit for 2022	-	-	-	211,780	211,780	-	211,780
Other comprehensive income for 2022	-	-	-	303	303	(3,505,026)	(3,504,723)
Total comprehensive income for 2022	-	-	-	212,083	212,083	(3,505,026)	(3,292,943)
Balance as of December 31, 2022	260,039	\$ 2,600,391	\$ 1,532,258	\$ (1,480,765)	\$ 51,493	\$ 2,512,290	\$ 5,164,174

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

Chairman: Po-Ting Chen, Tai Shih Trading Co., Ltd. Manager: Cheng-Che Tsai Accounting Officer: Ni-Ru Lin

Shihlin Paper Co.,Ltd.
Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

	2022	2021
Cash flows from operating activities:		
Net income before tax for the current period	\$ 211,780	\$ 84,249
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	7,426	7,871
Amortization expense	1,459	1,387
Interest expense	10,850	10,008
Interest income	(222)	(5,787)
Dividend income	(347,383)	(31,363)
Share of loss (profit) of subsidiaries accounted for using the equity method	109,332	(20,272)
Net gain on disposal of property, plant and equipment	-	(273)
Unrealized sales profits	-	2,085
Realized sales profits	(977)	-
Changes in operating assets and liabilities:		
Decrease in notes receivable	-	529
Increase in accounts receivable	(6,429)	(3,955)
Increase in other receivables	(7,452)	(614)
Decrease (increase) in inventories	(76)	11,606
Decrease (increase) in prepayments	(2,019)	851
Decrease (increase) in other current assets	(30)	10
Increase in net defined benefit assets	(38)	(35)
Decrease in contract liability	(9)	(40)
Increase in accounts payable	405	3,585
Increase in other payables	1,679	1,077
Decrease in other current liabilities	(84)	(93)
Cash inflow (outflow) from operating activities	(21,788)	60,826
Interest received	222	5,787
Dividends received	348,817	31,363
Net cash inflow from operating activities	327,251	97,976
Cash flows from investing activities:		
Acquisition of Financial Assets at FVTOCI	(600)	(12)
Acquisition of investments under equity method	(200,000)	-
Acquisition of Property, Plant and Equipment	(787)	(2,630)
Proceeds from disposal of property, plant and equipment	-	479
Acquisition of investment property	(3,728)	(460)

(Continued on the next page)

Shihlin Paper Co., Ltd.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021
(Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2022	2021
Acquisition of intangible assets	\$ (215)	\$ (185)
Decrease in refundable deposits	59	57
Net cash used in investing activities	(205,271)	(2,751)
Cash flows from financing activities:		
Short-term borrowings	4,153,000	2,102,000
Repayment of short-term loans	(3,604,000)	(2,430,000)
Borrowing of short-term bills payable	1,474,000	2,620,000
Repayment of short-term bills payable	(2,094,000)	(2,377,000)
Increase in guarantee deposit received	395	-
Interest paid	(10,271)	(10,090)
Net cash outflow from financing activities	(80,876)	(95,090)
Increase in cash and cash equivalents for the current period	41,104	135
Cash and cash equivalents at the beginning of the year	9,584	9,449
Cash and cash equivalents at year-end	\$ 50,688	\$ 9,584

The accompanying notes are an integral part of the financial statements.

Shihlin Paper Co., Ltd.
Notes to Parent Company Only Financial Statements
For the Years Ended December 31, 2022 and 2021
(Unit: NTD thousand, unless stated otherwise)

(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 13, 2023.

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

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

Initial application of the IFRSs endorsed and issued into effect by the Financial Supervisory Commission (FSC) has no significant influence on the Company’s accounting policies.

2. IFRSs applicable since 2023 and endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IAS 1, “Disclosure of Accounting Policies”	January 1, 2023
Amendments to IAS 8, “Definition of Accounting Estimates”	January 1, 2023
Amendments to IAS 12 “Deferred Income Taxes Related to Assets and Liabilities Arising from a Single Transaction”	January 1, 2023

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.

3. The IFRSs issued by IASB but not yet endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
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
Amendments to IFRS 16 “Lease Liability in a Sale and Leaseback”	January 1, 2024
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-Current”	January 1, 2024
Amendments to IAS 1 “Non-current Liabilities with Covenants”	January 1, 2024

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 with a repayment deadline that cannot be unconditionally deferred till at least 12 months after the balance sheet date; however, where equity instruments may be issued for settlement based on the terms of the liabilities agreed by the counterparty, it does not affect the classification. 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.

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 AC financial assets:

- 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 inventory, 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	2022.12.31	2021.12.31
Cash on hand	\$ 90	\$ 90
Check and demand (current) deposit	50,598	9,494
Total	\$ 50,688	\$ 9,584

2. Financial Assets at FVTOCI

Item	2022.12.31	2021.12.31
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 3,058,871	\$ 6,565,620
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	7,439	5,116
Total	\$ 3,066,310	\$ 6,570,736

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

3. Notes and accounts receivable - net

Item	2022.12.31	2021.12.31
Trade receivable	\$ 55,000	\$ 48,571

In principle, the Company's credit period for trade receivable is 30 days after the invoice date or OA 30-90 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

	2022.12.31		2021.12.31	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 55,000	\$ -	\$ 48,571	\$ -
Past Due	-	-	-	-
	<u>\$ 55,000</u>	<u>\$ -</u>	<u>\$ 48,571</u>	<u>\$ -</u>

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

4. Inventories

Item	2022.12.31	2021.12.31
Merchandise	\$ 6	\$ 259
Raw materials	954	625
Net balance of inventory	<u>\$ 960</u>	<u>\$ 884</u>

The operating costs in relation to inventories in 2022 and 2021 were NT\$59,311 thousands and NT\$62,577 thousands, respectively. The Company's reduced expense of estimation required to complete the sale and the sale of the depreciated inventory resulted in gain from price recovery of inventory of NT\$393 thousands and NT\$3,529 thousands in 2022 and 2021, respectively, which was debited into the operating cost of the current period.

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

5. Investment under equity method

Investee	2022.12.31		2021.12.31	
	Shareholding percentage	Amount	Shareholding percentage	Amount
Shihlin Environment Corporation	100.00%	\$ 123,492	100.00%	\$ 25,001
Sunshine Shihlin Development Co., Ltd.	100.00%	2,599,598	100.00%	2,682,035
Sunnyfield Shihlin Co., Ltd.	100.00%	<u>82,342</u>	100.00%	<u>8,185</u>
Total		<u>\$ 2,805,432</u>		<u>\$ 2,715,221</u>

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

For information on subsidiaries, please refer to Table 4 “Information on Investees.”

6. Property, Plant, and Equipment

Item	2022.12.31		2021.12.31	
Land	\$	26,172	\$	26,172
Buildings		4,131		3,811
Equipment		3,024		3,450
Transport Equipment		1,337		1,685
Other Equipment		<u>687</u>		<u>1,131</u>
Total net amount	\$	<u>35,351</u>	\$	<u>36,249</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 2022.1.1	\$ 26,172	\$ 7,647	\$ 17,554	\$ 4,682	\$ 6,738	\$ 62,793
Additions	-	631	-	-	82	713
2022.12.31 Balance	<u>\$ 26,172</u>	<u>\$ 8,278</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 6,820</u>	<u>\$ 63,506</u>
Accumulated depreciation and impairment						
Balance as of 2022.1.1	\$ -	\$ 3,836	\$ 14,104	\$ 2,997	\$ 5,607	\$ 26,544
Depreciation expense	-	311	426	348	526	1,611
2022.12.31 Balance	<u>\$ -</u>	<u>\$ 4,147</u>	<u>\$ 14,530</u>	<u>\$ 3,345</u>	<u>\$ 6,133</u>	<u>\$ 28,155</u>
2022.12.31 Net amount	<u>\$ 26,172</u>	<u>\$ 4,131</u>	<u>\$ 3,024</u>	<u>\$ 1,337</u>	<u>\$ 687</u>	<u>\$ 35,351</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of 2021.1.1	\$ 26,172	\$ 7,167	\$ 16,849	\$ 5,962	\$ 6,579	\$ 62,729
Additions	-	480	705	1,744	406	3,335
Disposal	-	-	-	(3,024)	(247)	(3,271)
2021.12.31 Balance	<u>\$ 26,172</u>	<u>\$ 7,647</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 6,738</u>	<u>\$ 62,793</u>
Accumulated depreciation and impairment						
Balance as of 2021.1.1	\$ -	\$ 3,520	\$ 13,742	\$ 5,962	\$ 5,126	\$ 28,350
Depreciation expense	-	316	362	59	522	1,259
Disposal	-	-	-	(3,024)	(41)	(3,065)
2021.12.31 Balance	<u>\$ -</u>	<u>\$ 3,836</u>	<u>\$ 14,104</u>	<u>\$ 2,997</u>	<u>\$ 5,607</u>	<u>\$ 26,544</u>
2021.12.31 Net amount	<u>\$ 26,172</u>	<u>\$ 3,811</u>	<u>\$ 3,450</u>	<u>\$ 1,685</u>	<u>\$ 1,131</u>	<u>\$ 36,249</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	5-6 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.

As of the balance sheet date above, the carrying amount in the land located in the Shanghai section and Yongan section of the Xinwu District, Taoyuan City, for the Company's water wells and other purposes was NT\$23,168 thousands. 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.

7. Investment Property

Item	2022.12.31	2021.12.31
Land	\$ 81,189	\$ 81,189
Building	30,021	35,836
Investment property under construction	5,537	1,809
Total net amount	\$ 116,747	\$ 118,834

Cost	Land	Building	Investment property under construction	Total
Balance as of 2022.1.1	\$ 81,189	\$ 449,268	\$ 1,809	\$ 532,266
Additions	-	-	3,728	3,728
2022.12.31 Balance	\$ 81,189	\$ 449,268	\$ 5,537	\$ 535,994
Accumulated depreciation and impairment				
Balance as of 2022.1.1	\$ -	\$ 413,432	\$ -	\$ 413,432
Depreciation expense	-	5,815	-	5,815
2022.12.31 Balance	\$ -	\$ 419,247	\$ -	\$ 419,247
2022.12.31 Net amount	\$ 81,189	\$ 30,021	\$ 5,537	\$ 116,747

Cost	Land	Building	Investment property under construction	Total
Balance as of 2021.1.1	\$ 81,189	\$ 449,268	\$ 1,349	\$ 531,806
Additions	-	-	460	460
2021.12.31 Balance	\$ 81,189	\$ 449,268	\$ 1,809	\$ 532,266
Accumulated depreciation and impairment				
Balance as of 2021.1.1	\$ -	\$ 406,820	\$ -	\$ 406,820
Depreciation expense	-	6,612	-	6,612
2021.12.31 Balance	\$ -	\$ 413,432	\$ -	\$ 413,432
2021.12.31 Net amount	\$ 81,189	\$ 35,836	\$ 1,809	\$ 118,834

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, 2022 and 2021 was NT\$3,626,717 thousands and NT\$1,522,957 thousands, respectively. The fair value was appraised by an independent appraiser and was measured by the management using the third-level inputs and evaluated via the comparative method.

8. Intangible asset

Item	2022.12.31	2021.12.31
Computer software	\$ 5,952	\$ 7,196
Cost		Computer software
Balance as of 2022.1.1		\$ 13,838
Additions		215
2022.12.31Balance		<u>\$ 14,053</u>
Accumulated amortization		
Balance as of 2022.1.1		\$ 6,642
Amortization expense		1,459
2022.12.31Balance		<u>\$ 8,101</u>
2022.12.31Net amount		<u>\$ 5,952</u>
Cost		Computer software
Balance as of 2021.1.1		\$ 13,653
Additions		185
2021.12.31Balance		<u>\$ 13,838</u>
Accumulated amortization		
Balance as of 2021.1.1		\$ 5,255
Amortization expense		1,387
2021.12.31Balance		<u>\$ 6,642</u>
2021.12.31Net amount		<u>\$ 7,196</u>

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.

9. Short-term borrowings

Lending Banks	Financing	2022.12.31	2021.12.31
	Secured		
Bank of Taiwan	borrowings	\$ 550,000	\$ 202,000
Jihsun Bank	Credit loans	150,000	150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	71,000	20,000
Mega International Commercial Bank	Secured borrowings	118,000	-
Mega International Commercial Bank	Credit loans	32,000	-
Total		<u>\$ 921,000</u>	<u>\$ 372,000</u>
Interest rate per annum		1.583%~2.025%	0.98%~1.03%

10. Short-term bills payable

Item	2022.12.31	2021.12.31
Short-term bills payable - face value	\$ -	\$ 620,000
Less: Discounts	-	(162)
Short-term bills payable - net	<u>\$ -</u>	<u>\$ 619,838</u>
Interest rate per annum	-	0.798%~1%

11. 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).17 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:

	<u>2022.12.31</u>	<u>2021.12.31</u>
Present value of the defined benefit obligations	\$ 1,968	\$ 2,064
Fair value of plan assets	<u>(2,751)</u>	<u>(2,506)</u>
Net defined benefit liabilities (assets)	<u>\$ (783)</u>	<u>\$ (442)</u>

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

	<u>2022</u>	<u>2021</u>
Present value of the defined benefit obligations at the beginning of the year	\$ 2,064	\$ 2,166
Service cost	-	-
Interest expense	15	7
Remeasurement		
Actuarial losses - experience adjustments	54	2
Actuarial losses - changes in financial assumptions	-	1
Actuarial gains (losses) - changes in financial assumptions	<u>(165)</u>	<u>(112)</u>
Present value of the defined benefit obligations at year-end	<u>\$ 1,968</u>	<u>\$ 2,064</u>

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

	<u>2022</u>	<u>2021</u>
Fair value of plan assets, at the beginning of the year	\$ 2,506	\$ 2,429
Interest income	18	8
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	192	35
Employer's contribution	<u>35</u>	<u>34</u>
Fair value of plan assets at year-end	<u>\$ 2,751</u>	<u>\$ 2,506</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:

	<u>2022</u>	<u>2021</u>
Service cost	\$ -	\$ -
Net interest	<u>(3)</u>	<u>(1)</u>
Total	<u>\$ (3)</u>	<u>\$ (1)</u>

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

- ①Investment 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.
- ②Interest 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.
- ③Salary 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:

	<u>Measurement date</u>	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate	1.40%	0.75%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	<u>Changes in the defined benefit obligations</u>	
	<u>2022.12.31</u>	<u>2021.12.31</u>
Discount rate		
Increase by 0.25%	(3.01%)	(3.24%)
Decrease by 0.25%	3.13%	3.37%
Expected increase rate of salaries		
Increase by 0.25%	3.13%	3.35%
Decrease by 0.25%	(3.03%)	(3.24%)

The Company expects to contribute NT\$34 thousands to the defined benefit plan within one year after December 31, 2022.

The average maturity period of the definite benefit obligations as of December 31, 2022 and 2021 was 12 and 13 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	<u>2022.12.31</u>	<u>2021.12.31</u>
2022	\$ -	\$ 51
2023	54	51
2024	53	50
2025	52	49
2026	51	48
2027 onward	<u>2,136</u>	<u>2,032</u>
	<u>\$ 2,346</u>	<u>\$ 2,281</u>

12. Equity

(1) Share capital of ordinary shares

	<u>2022.12.31</u>	<u>2021.12.31</u>
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.

(3) The information on the reversal of the special reserve for the first-time adoption of IFRSs due to the elimination of the reasons for the recognition is as follows:

	<u>2022</u>	<u>2021</u>
Beginning retained earnings	\$ 1,532,258	\$ 1,534,420
Reversal of special reserve due to the elimination of the original reason for provision:		
Sale of land by subsidiaries	<u>-</u>	<u>(2,162)</u>
Ending balance	<u><u>\$ 1,532,258</u></u>	<u><u>\$ 1,532,258</u></u>

13. Operating revenue

	<u>2022</u>	<u>2021</u>
Income from sales of goods	\$ 62,862	\$ 69,693
Rental income	48,869	46,747
Income from labor services	19,508	3,887
Other income	<u>859</u>	<u>30</u>
Total	<u><u>\$ 132,098</u></u>	<u><u>\$ 120,357</u></u>

14. Other income

	<u>2022</u>	<u>2021</u>
Interest income	\$ 222	\$ 5,787
Dividend income	347,383	31,363
Other income	<u>279</u>	<u>91,508</u>
Total	<u><u>\$ 347,884</u></u>	<u><u>\$ 128,658</u></u>

15. Other gains and losses

	<u>2022</u>	<u>2021</u>
Net exchange gain	\$ 56	\$ 71
Net gain on disposal of property, plant and equipment	-	273
Other comprehensive income, net	<u>(241)</u>	<u>(295)</u>
	<u>\$ (185)</u>	<u>\$ 49</u>

16. Financial costs

	<u>2022</u>	<u>2021</u>
Interest expense		
Bank borrowings	\$ 7,786	\$ 4,272
Commercial paper	2,975	5,683
Imputed interest on deposit	<u>89</u>	<u>53</u>
Total	<u>\$ 10,850</u>	<u>\$ 10,008</u>

17. Additional information on the nature of expenses

Net income includes the following items:

	<u>2022</u>	<u>2021</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 1,611	\$ 1,259
Depreciation of investment property	5,815	6,612
Amortization of intangible assets	<u>1,459</u>	<u>1,387</u>
Total	<u>\$ 8,885</u>	<u>\$ 9,258</u>

	<u>2022</u>	<u>2021</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 4,722	\$ 4,968
Direct operating expenses of investment property that does not generate rental income	<u>-</u>	<u>-</u>
Total	<u>\$ 4,722</u>	<u>\$ 4,968</u>
R&D expenditures expensed when incurred	<u>\$ 3,525</u>	<u>\$ 4,866</u>

	<u>2022</u>	<u>2021</u>
Employee benefits expense		
Post-employment benefits (Note 6.11)		
Defined contribution plans	\$ 2,350	\$ 2,311
Defined benefit plan	(3)	(1)
Salaries and bonuses	42,050	57,895
Labor and health insurance expenses	4,840	4,784
Remuneration to directors	792	840
Other employee benefit expenses	<u>2,153</u>	<u>1,830</u>
Total	<u>\$ 52,182</u>	<u>\$ 67,659</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, 2022 and 2021, 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.

18. Income tax

- (1) Income tax recognized in profit or loss

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

	<u>2022</u>	<u>2021</u>
Net income before tax	\$ 211,780	\$ 84,249
Income tax expense at the statutory tax rate (20%) for net income before tax	\$ 42,356	\$ 16,850
Tax effects of adjustments:		
Income from tax cessation and exemption	(69,477)	(6,273)
Effects of non-deductible expenses when determining taxable income	119	47
Generation and reversal of temporary differences	21,143	(4,515)
Loss carryforwards generated (deducted) in the period	<u>5,859</u>	<u>(6,109)</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

As of December 31, 2022, the Company's losses not yet carried forward and deadlines are as follows:

<u>Balance</u>	<u>Last year for deduction</u>
\$ 117,355 (Assessed)	2023
140,524 (Assessed)	2024
294,658 (Assessed)	2025
50,213 (Assessed)	2026
53,214 (Assessed)	2027
(Not yet approved)	
13,959 approved)	2028
33,510 (Assessed)	2029
(Not yet approved)	
<u>13,337 approved)</u>	2030
<u>\$ 716,770</u>	

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

	<u>2022.12.31</u>	<u>2021.12.31</u>
Loss carryforwards	\$ 679,434	\$ 792,987
Deductible temporary difference	<u>11,653</u>	<u>12,882</u>
Total	<u>\$ 691,087</u>	<u>\$ 805,869</u>

(4) Income tax assessments

Except for 2018, the tax authorities have assessed the filings of profit-seeking enterprise income tax by the Company up to the year 2019.

19. Earnings per share

	<u>2022</u>	<u>2021</u>
Basic earnings per share	<u>\$ 0.81</u>	<u>\$ 0.32</u>

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

	<u>2022</u>	<u>2021</u>
Net profit attributed to the owners of the Company (NT\$ thousand)	<u>\$ 211,780</u>	<u>\$ 84,249</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

20. Non-cash transaction

	<u>2022</u>	<u>2021</u>
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 713	\$ 3,335
Increase (decrease) in other payables	<u>74</u>	<u>(705)</u>
Pay cash	<u>\$ 787</u>	<u>\$ 2,630</u>

21. Material operating lease arrangements

As of December 31, 2022 and 2021, 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:

<u>Summary</u>	<u>2022.12.31</u>	<u>2021.12.31</u>
Less than 1 year	\$ 47,444	\$ 46,858
1-2 years	47,460	42,949
2-3 years	47,854	43,468
3-4 years	46,933	43,948
4-5 years	31,173	43,029
Over 5 years	311,255	338,524
Total	<u>\$ 532,119</u>	<u>\$ 558,776</u>

22. 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.

23. Financial instruments

(1) Information on fair value

①The Company's management believes that the carrying amount in financial instruments that are not at fair value are either a reasonable approximation of fair values, or their fair values cannot be reliably measured.

②Financial instruments at fair value

The fair value is divided into three levels based on observability:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly; and
- Level 3 fair value refers to the fair value of the inputs for an asset or liability based on unobservable market data (unobservable inputs) measured through valuation techniques.

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

		2022.12.31			
		Level 1	Level 2	Level 3	Total
Financial Assets at FVTOCI					
Stocks		\$ 3,058,871	\$ -	\$ 7,439	\$ 3,066,310
		2021.12.31			
		Level 1	Level 2	Level 3	Total
Financial Assets at FVTOCI					
Stocks		\$ 6,565,620	\$ -	\$ 5,116	\$ 6,570,736

There were no transfers between Levels 1 and 2 in 2022 and 2021.

The Company did not acquire or dispose of financial assets at Level 3 fair value in both 2022 and 2021.

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	2022.12.31	2021.12.31
Financial assets at FVTOCI	\$ 3,066,310	\$ 6,570,736
Financial assets at amortized cost (Note)	114,450	59,524
Total	\$ 3,180,760	\$ 6,630,260

Financial liability	2022.12.31	2021.12.31
At amortized cost		
Short-term borrowings	\$ 921,000	\$ 372,000
Short-term bills payable	-	619,838
Accounts payable	10,708	10,303
Other payables and other current liabilities	13,610	11,581
Guarantee deposits received	11,378	10,983
Total	<u>\$ 956,696</u>	<u>\$ 1,024,705</u>

Note: Including cash and cash equivalents, accounts receivable, other receivables, and refundable deposits.

(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 is mainly exposed to the market risks, including changes in interest rates and price changes of equity instruments. The Company does not manage relevant risks with derivative financial instruments.

① 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 derivative 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 2022 and 2021 will increase/decrease by NT\$2,303 thousands and NT\$2,480 thousands, respectively.

②Other 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 2022 and 2021 will increase/decrease by NT\$153,316 thousands and NT\$328,537 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 and notes receivable to avoid credit risk.

As of December 31, 2022 and 2021, the top two main customers accounted for 90.31% and 91.18% of the Company's balance of accounts 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, 2022 and 2021, the Company's undrawn financing facilities of bank loans and bills companies were NT\$969,000 thousands and NT\$1,148,000 thousands, 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, 2022				Total
	Less than 30 days	31-60 days	61-90 days	Over 90 days	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ -	\$ 173,000	\$ 48,000	\$ 700,000	\$ 921,000
Accounts payable	7,416	2,984	-	308	10,708
Other payables	7,033	3,538	-	2,871	13,442
Other current liabilities	-	168	-	-	168
Guarantee deposits received	-	-	-	11,378	11,378
	<u>\$ 14,449</u>	<u>\$ 179,690</u>	<u>\$ 48,000</u>	<u>\$ 714,557</u>	<u>\$ 956,696</u>

	December 31, 2021				
	Less than 30 days	31–60 days	61–90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 222,000	\$ -	\$ 150,000	\$ -	\$ 372,000
Short-term bills payable	619,838	-	-	-	619,838
Accounts payable	5,079	5,223	-	1	10,303
Other payables	6,413	2,886	-	2,121	11,420
Other current liabilities	-	161	-	-	161
Guarantee deposits received	-	-	-	10,983	10,983
	<u>\$ 853,330</u>	<u>\$ 8,270</u>	<u>\$ 150,000</u>	<u>\$ 13,105</u>	<u>\$ 1,024,705</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
AP EZ GO Digital Information Co., Ltd.	Substantive related party
New Taipei City Jin Li Social Welfare and Charity Foundation	Substantive related party
Wan Hai Charitable Foundation	Substantive related party
Shi Feng Investment Co., Ltd.	Substantive related party
Zhi Yi Investment Co., Ltd.	Substantive related party
AP Tour Co., Ltd.	Substantive related party
Taiwan Evervaliant Corp.	Substantive related party

2. Business transaction

		2022				
		Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin	\$	83,248	\$ 131	\$ 12,158	\$ -	\$ -
Other related parties		-	-	144	290	2
		2021				
		Operating revenue	Purchase	Selling expenses	Administrative expenses	R&D expenses
Sunnyfield Shihlin	\$	61,727	\$ (172)	\$ 12,955	\$ 126	\$ 12
Subsidiary		103	-	-	4	-
Other related parties		294	-	117	402	7
		2022.12.31				
		Trade receivable	Other receivables	Prepayments	Accounts payable	Other payables
Sunnyfield Shihlin	\$	16,570	\$ 7	\$ -	\$ 2	\$ 3,845
Sunshine Shihlin		-	6,667	-	-	-
Other related parties		-	-	39	-	-
		2021.12.31				
		Trade receivable	Prepayments	Other payables		
Sunnyfield Shihlin	\$	11,944	\$ -	\$ -	4,067	
Other related parties		-	-	38	-	

3. Financing status

		2022				
		Maximum amount	Ending balance	Amount in provision of allowance for bad debt	Interest Rate	Total interest income for the current period
Sunshine Shihlin	\$	13,000	\$ -	\$ -	1.338%	\$ 7
Shihlin Environment		37,170	-	-	1.25%~1.50%	177

4. Property transaction

(1) Disposal of property, plant and equipment

	Accounting Items	Price of acquisition	
		2022	2021
Subsidiary	Equipment	\$ -	\$ 705

(2) Disposal of property, plant and equipment

	Transaction subject matter	2021		Gain or loss on sale
		Selling price	Book value	
Subsidiary	Other Equipment	\$ 206	\$ 206	\$ -

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.

5. The agricultural land is temporarily registered under the name of a related party, and its protection measures are detailed in Note (VI).6.

6. Remuneration to key management personnel

	2022	2021
Short-term benefits	\$ 2,633	\$ 19,770
Post-employment benefits	101	101
	<u>\$ 2,734</u>	<u>\$ 19,871</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:

	2022.12.31	2021.12.31
Property, plant and equipment:		
Land	\$ 3,003	\$ 3,003
Net amount in houses and buildings	-	-
	<u>3,003</u>	<u>3,003</u>
Investment property:		
Land	28,604	28,604
Net amount in buildings	23,219	27,639
	<u>51,823</u>	<u>56,243</u>
Total	<u>\$ 54,826</u>	<u>\$ 59,246</u>

(IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2022 and 2021, the amount of guaranteed notes issued by the Company for bank borrowings was NT\$1,490,000 thousands for these two dates.
2. As of December 31, 2022 and 2021, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. for bank borrowings was NT\$800,000 thousands. The amount drawn was NT\$300,000 thousands and NT\$350,000 thousands, respectively.
3. As of December 31, 2022, for the outsourcing construction contracts signed by the Company, the contract total amount was NT\$25,847 thousands, among which the construction amount already paid was NT\$2,082 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
2022

Table 1

Unit: NT\$ thousand

Serial 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 bad debt	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Sunshine Shihlin Development Co., Ltd.	-	Yes	\$200,000	\$ 200,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$1,032,835	\$2,065,670
		Shihlin Environment Corporation	-	Yes	\$300,000	\$ 300,000	\$ -	-	Need for short-term financing	-	Operating capital	-	-	-	\$1,032,835	\$2,065,670

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 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
2022

Table 2

Unit: NT\$ thousand

Serial 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	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	-	15.49%	\$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	21.27%	\$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 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 holds 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, 2022

Table 3

Unit: NT\$ 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	3,034,807	1.35%	3,034,807
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - Current	114,445	1,442	0.00%	1,442
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - Current	270,437	7,166	0.00%	7,166
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - Current	99,240	1,091	0.00%	1,091
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - Current	184,466	7,379	0.00%	7,379
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - Current	68,146	1,186	0.01%	1,186
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - Current	400,000	5,800	0.03%	5,800
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - Non-Current	3,330	7,439	4.17%	7,439
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	53,728.8	786	-	786

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

Shihlin Paper Co., Ltd.
Information on Investees (Name and Location)
2022

Table 4

Unit: NT\$ 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	115,075	15,075	11,500,000	100.00	123,492	(75)	(75)	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419	3,806,419 (Note 1)	200,100,000	100.00	2,599,598	(82,437)	(82,437)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	200,000	30,000,000	100.00	82,342	(26,919)	(26,820)	
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 thousand 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, 2022

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. The share capital recorded in the Company's financial statements and the Company's actual number of shares delivered with dematerialized registration completed may be different due to different calculation bases.

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 MOPS.

VI. Where the Company and its affiliates have Encountered Financial Difficulties in the Last Year and As of the Publication Date of the Annual Report

None

Seven. Analysis and Review of Financial Position and Financial Performance and Risk Issues

I. Financial Position

Unit: NTD thousand

Item \ Year	2022	2021	Difference		Description
			Amount	%	
Current assets	3,338,717	6,712,149	(3,373,432)	(50.26)	1
Property, Plant and Equipment	1,635,475	1,308,210	327,265	25.02	2
Intangible asset	6,866	8,195	(1,329)	(16.22)	
Other assets	4,317,230	4,405,917	(88,687)	(2.01)	
Total assets	9,298,288	12,434,471	(3,136,183)	(25.22)	1
Current liabilities	2,422,469	2,370,771	51,698	2.18	
Non-current liabilities	1,711,645	1,606,583	105,062	6.54	
Total liabilities	4,134,114	3,977,354	156,760	3.94	
Equity attributable to owners of parent	5,164,174	8,457,117	(3,292,943)	(38.94)	1
Share capital	2,600,391	2,600,391	0	0.00	
Capital surplus	0	0	0	0.00	
Retained earnings	51,493	(160,590)	212,083	(132.06)	3
Other equity interest	2,512,290	6,017,316	(3,505,026)	(58.25)	1
Treasury stock	0	0	0	0.00	
Non-controlling interests	0	0	0	0.00	
Total Equity	5,164,174	8,457,117	(3,292,943)	(38.94)	

Description of significant changes:

1. Decrease in current assets, total assets, equity attributable to owners of parent company and other equities was mainly due to decrease in unrealized gains on financial assets at FVTOCI held at the end of the period.
2. The increase in property, plant, and equipment is mainly due to the hotel under construction.
3. The increase in retained earnings is mainly due to the increase in dividend income from the previous period.

II. Financial Performance

Unit: NTD thousand

Item \ Year	2022	2021	Difference		Description
			Amount	%	
Operating revenue	165,058	326,024	(160,966)	(49.37)	1
Gross operating profit	76,145	176,501	(100,356)	(56.86)	1
Operating gains or losses	(103,224)	(26,559)	(76,665)	288.66	1
Non-operating revenue and expense	315,004	115,178	199,826	173.49	2
Net profit (loss) before tax	211,780	88,619	123,161	138.98	2
Net profit (loss) on continuing operations for the current period	211,780	84,249	127,531	151.37	2
Loss on discontinued operations	-	-	-	-	
Net profit (loss) for the current period	211,780	84,249	127,531	151.37	2
Other comprehensive income (net of tax)	(3,504,723)	4,960,183	(8,464,906)	(170.66)	3
Total comprehensive income (loss) for the current period for the current period	(3,292,943)	5,044,432	(8,337,375)	(165.28)	3
Net loss attributable to owners of the parent company	(3,292,943)	5,044,432	(8,337,375)	(165.28)	3
Net profit attributable to non-controlling interests	-	-	-	-	
Comprehensive income (loss) attributable to owners of the parent company	(3,292,943)	5,044,432	(8,337,375)	(165.28)	3
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	
Earnings per share	0.81	0.32	0.49	153.13	2

Description of significant changes:

1. Decrease in operating revenue, gross profit and operating profit or loss was mainly due to the sale of houses and lands pending for sale in the last period, and no such condition in the current period.
2. Increase in non-operating revenue and expense, net profit before tax, net profit from continuing operations, net profit for the period and earnings per share was mainly due to the increase of dividend revenue received in the current period from last period.
3. Decrease in other comprehensive income for the period (net of tax), total comprehensive income for the period, net loss attributable to owners of parent company, and total comprehensive income attributable to the owners of the parent company was mainly due to an decrease in unrealized gains on financial assets at FVTOCI held at the end of the period.

III. Cash Flow

(I) Review and analysis of the cash flow for the current year

Unit: NTD thousand

Opening balance of cash	Cash flow from operating activities throughout the year	Amount of annual cash inflow (outflow)	The amount of cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
38,502	276,502	(139,611)	175,393	None	None
1. Analysis of changes in the cash flows for the current year: (1) Operating activities: Net cash inflow of \$276,502 thousand, mainly due to the increase of dividend revenue collected in the current period. (2) Investing activities: Net cash outflow of NT\$222,838 thousand, mainly due to the investment in the hotel with the construction of Warehouse No. 5. (3) Financing activities: Net cash inflow of NT\$83,227 thousand, which was mainly due to the bank financing for investment in the hotel with the construction of Warehouse No. 5. 2. Remedial measures for cash deficit and liquidity analysis:None					

(II) Analysis of the cash flow for the coming year

Unit: NTD thousand

Opening balance of cash	Cash flow from operating activities throughout the year	Amount of annual cash inflow (outflow)	The amount of cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
175,393	(14,111)	4,000	165,282	None	Financing

IV. The Impact of Material Capital Expenditures on Financial Operations in the Last Year

The hotel under construction in 2022 amounted to NT\$155,808 thousands, which was financed by bank borrowings and operating funds.

V. Investment Policy in the Last Year, the Main Reason For Its Profit or Loss, Improvement Plan, and Investment Plan for the Coming Year

None

VI. Risk Analysis

(I) The impact of changes in interest rates and exchange rates, and inflation on the Company's profit or loss and future countermeasures

1. The impact of changes in interest rates on the Company's profit or loss and future countermeasures

The interest rate risk of the Company comes from the liabilities supporting the operational needs. If the expected interest rate has any obvious fluctuation, appropriate financial instruments and loan period will be adopted in order to reduce the capital cost with the optimal loan portfolio.

2. The impact of changes in exchange rates on the Company's profit or loss and future countermeasures

As the Company does not hold any material foreign currency assets and liabilities, there is no significant risk of exchange rate changes.

3. The impact of inflation on the Company's profit or loss and future countermeasures

Possible impact of raw material price fluctuation on the operating cost of the Company. Risk response measures include the mechanism of large quantity purchase or long-term contract, in order to reduce the level of cost change. Product selling price is adjusted appropriately according to the cost and market status, in order to manage the impact of inflation on the Company.

- (II) Policy for engaging in high-risk, high-leverage investments, lending of funds to others, provision of endorsements/guarantees to others, and derivatives trading, main reasons for profit or loss, and future countermeasures

The finance of the Company mainly adopts the principle of stability, such that the Company does not engage in investments of high risk or high leverage and derivative operations.

At the end of 2003, the Company transferred its assets to Sunshine Shihlin Development, mainly for business needs. As of the end of 2022, the Company provided endorsement/guarantee of NT\$800,000 thousand to Sunshine Shihlin Development, and the actual amount drawn was NT\$350,000 thousand. The loan extension amount was NT\$200,000 thousand, the actual amount drawn was NT\$0.

In 2022, the Warehouse No. 5 Hotel urban renewal development project of the subsidiary Shihlin Environment Corporation completed the layout and survey for construction. Due to the business needs, the loan extension amount was NT\$300,000 thousand, and the actual amount drawn was NT\$0.

- (III) Future R&D plans and estimated R&D expenses

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
Development and testing of new Baby Lion products	Planning of various Baby Lion related products and related tests	NT\$132 thousand
Development and testing of new Forest Beauty products	Related tests for prototyping and testing of various products, and testing of product physical property, chemical property, and functions	NT\$191 thousand
Review and registration of exported products	Application for cosmetic product registration and foreign trade mark application in China, Europe, America and Southeast Asia	NT\$720 thousand

- (IV) The impact of important domestic and foreign policies and legal changes on the Company's financial business and countermeasures: None.
- (V) The impact of changes in technology (including cyber security risk) and the industry on the Company's financial business and countermeasures

The Company is currently developing the business in the consumer market. As the utilization rate of wet wipes in the overall market is gradually increasing, it has developed such products by function. With the pure water wet wipes accounting for the largest market share, the Company will launch Baby Lion extreme pure water wet wipes first, and facial masks first in terms of the skincare products. The Company divides overall cosmetics market by function, and will plan various functional products according to different consumer groups, and develop natural products and the ones with patented formula to achieve diversification and market segmentation to improve performance.

The Company has established the objective for information security management and enhances information security management, in order to ensure the security of data, information system, information equipment and network communication, thereby effectively reducing the risks of information assets being stolen, improper use, disclosure, alternation, damage or service interruption due to the factors of human errors, sabotage, equipment failure or natural disaster, etc. The confidentiality, integrity and availability of the information assets can be ensured. To improve information security management and ensure the normal operation of information systems and data security, the Company has established a complete network and computer security protection system to control or maintain its manufacturing operations and accounting operations. The Company reviews and evaluates its cyber security regulations and procedures to ensure their appropriateness and effectiveness, while planning, designing, and upgrading software and hardware equipment resources as countermeasures based on each unit's critical business processes and the corresponding supporting information system services.

- (VI) The impact of corporate image change on corporate crisis management and countermeasures: None.
- (VII) Expected benefits, potential risks, and countermeasures regarding mergers and acquisitions: None.
- (VIII) Expected benefits, potential risks, and countermeasures regarding plant expansion: None.
- (IX) Risks arising from supplier or customer concentration and countermeasures

Purchase: For the wet wipes of the Company, based on the consideration of stable product quality and purchase cost, the Company has assigned supply contracts with domestic main supplier, such that the supplies are centralized. Nevertheless, in case where the contract

supplier cannot supply materials due to force majeure events, the Company is still able to obtain such product from other supplier; therefore, there is no risk of material shortage.

(X) The impact and risks of massive transfer or replacement of shares by directors, supervisors, or major shareholders holding more than 10% of the shares, and countermeasures: None.

(XI) The impact and risks of the change of management rights on the Company and countermeasures: None

(XII) For litigation or non-litigation cases, where the Company and its directors, supervisors, President, substantive persons in charge, major shareholders holding more than 10% of shares, or affiliates have engaged in material litigation, non-litigation, or administrative disputes that are finalized or on trial and the results thereof may have a significant impact on shareholders' equity rights or securities prices, the facts in dispute, the amount in question, the starting date of the litigation, the main parties involved, and the handling situation as of the publication date of the annual report shall be disclosed

None.

(XIII) Other significant risks and countermeasures

None.

VII. Other Important Matters

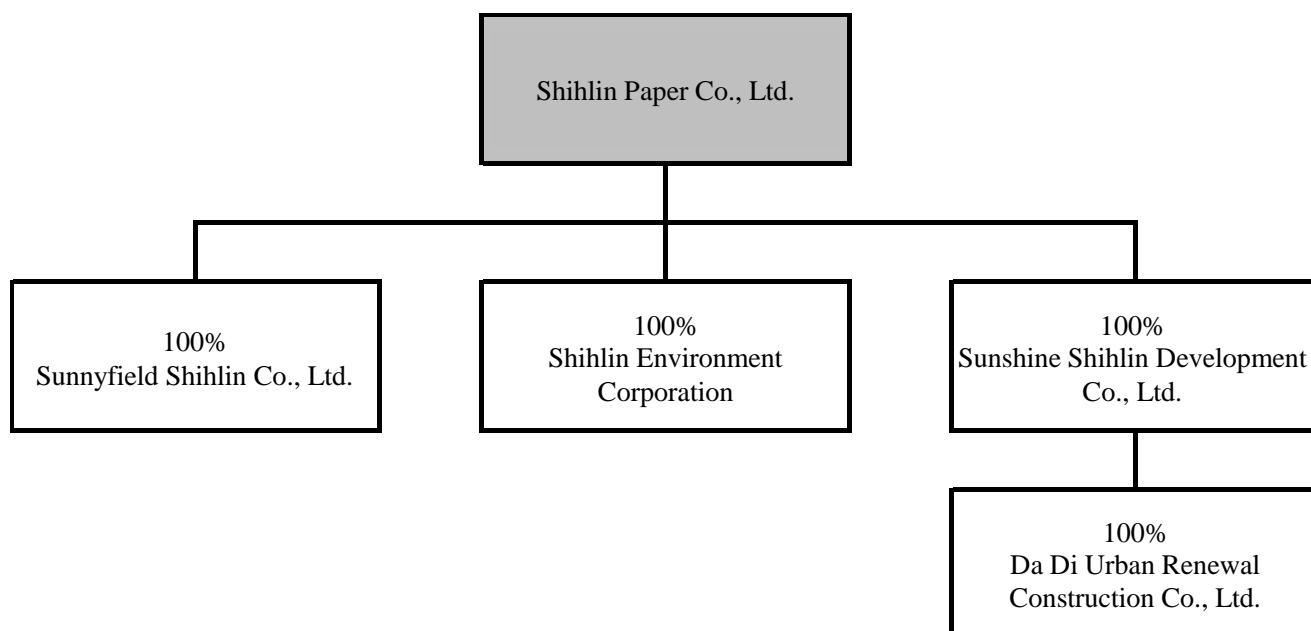
None

Eight. Special Disclosure.

I. Relevant Information on Affiliates

(I) Affiliation Report

1. Overview of Affiliates: Organizational Chart of Affiliates



2. Basic information on each affiliate

Unit: NT\$

Company Name	Date of incorporation	Address	Paid-in capital	Main business or products
Shihlin Environment Corporation	1988.11.22	3F, No. 138, Dadong Rd., Shilin Dist., Taipei City	115,000,000	Investment and development
Sunshine Shihlin Development Co., Ltd.	2002.01.10	No. 31, Fude Rd., Shilin Dist., Taipei City	2,001,000,000	Investment and development
Da Di Urban Renewal Construction Co., Ltd.	2009.11.19	No. 31, Fude Rd., Shilin Dist., Taipei City	1,000,000	Urban renewal and reconstruction
Sunnyfield Shihlin Co., Ltd.	2016.11.17	No. 31, Fude Rd., Shilin Dist., Taipei City	300,000,000	Wholesale of daily necessities

3. Information on the same shareholders of those who are in the control-subordinate relationship: None

4. The scope of industries of the affiliates.

Company Name	Main business or products
Shihlin Paper Co., Ltd.	1. Production, shipping, and sales of paper.
	2. Manufacturing of processed paper products.
	3. Important raw materials for paper, and production and sales.
	4. Development, operation, and sales of wet wipes.
	5. Investment in relevant businesses and the businesses under the Statute for the Encouragement of Investment.
	6. Commissioning of builders to build buildings, public housing projects, leasing, and sales.
Shihlin Environment Corporation	1. Specific area development.
	2. Investment in construction of public works.
	3. Development of new towns and communities.
	4. Urban renewal industry.
	5. Waste disposal industry, building cleaning services, and restaurants.
	6. Real estate trading and leasing industry.
Sunnyfield Shihlin Co., Ltd.	1. Wholesale of daily necessities
	2. Wholesale of cosmetics
Sunshine Shihlin Development Co., Ltd.	1. Specific area development.
	2. Investment in construction of public works.
	3. Development of new towns and communities.
	4. Office building rental industry.
	5. General hotel industry.
	6. Parking space operation.
Da Di Urban Renewal Construction Co., Ltd.	1. Residential building and building development, leasing, and sales.
	2. Specific area development.
	3. Investment in construction of public works.
	4. Development of new towns and communities.
	5. Urban renewal and reconstruction
	6. Real estate trading and leasing industry.

5. Information on directors, supervisors, and presidents of affiliates:

Unit: NT\$ thousand; share; %

Company Name	Title	Name or name of legal representative	Current shareholding	
			Shares	Shareholding percentage
Shihlin Environment Corporation	Chairman	Hui-Jung Chen (Representative of Shihlin Paper Co., Ltd.)	11,500,000	100%
	Director	Chih-Yuan Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Chin-Cheng Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Mei-Ju Chen (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Cheng-Che Tsai (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Chiu-Ling Wu (Representative of Shihlin Paper Co., Ltd.)		
Sunshine Shihlin Development Co., Ltd.	Chairman	Chih-Yuan Chen (Representative of Shihlin Paper Co., Ltd.)	200,100,000	100%
	Vice Chairman	Po-Ting Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Chih-Hsiang Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Cheng-Chih Chen (Representative of Shihlin Paper Co., Ltd.)		
	Director	Hui-Ying Chen (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Hui-Jung Chen (Representative of Shihlin Paper Co., Ltd.)		
Sunnyfield Shihlin Co., Ltd.	Chairman	Mei-Ru Chen (Representative of Shihlin Paper Co., Ltd.)	30,000,000	100%
	Director	Yen-Che Chiang (Representative of Shihlin Paper Co., Ltd.)		
	Director	Li-Hua Li (Representative of Shihlin Paper Co., Ltd.)		
	Supervisor	Chao-Ti Chen (Representative of Shihlin Paper Co., Ltd.)		
Da Di Urban Renewal Construction Co., Ltd.	Chairman	Hui-Jung Chen (Representative of Sunshine Shihlin Development Co., Ltd.)	100,000	100%
	Director	Cheng-Chih Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Chih-Hsiang Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Chien-Kun Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Mei-Ju Chen (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Ni-Ru Lin (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Director	Vacant (Representative of Sunshine Shihlin Development Co., Ltd.)		
	Supervisor	Hsin-Pei Lin (Representative of Sunshine Shihlin Development Co., Ltd.)		

(II) Overview of operations of affiliates:

Unit: NT\$ thousand

Company Name	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating gains or losses	Profit or loss for the current period (after tax)	Earnings per share (NT\$) (after tax)
Shihlin Environment Corporation	115,000	244,063	120,571	123,492	0	-87,166	-76	-0.01
Sunshine Shihlin Development Co., Ltd.	2,001,000	5,633,638	3,034,040	2,599,598	38,077	-60,800	-82,437	-0.41
Sunnyfield Shihlin Co., Ltd.	300,000	103,940	20,475	83,465	78,295	-26,699	-26,919	-0.90
Da Di Urban Renewal Construction Co., Ltd.	1,000	105	0	105	0	0	0	0.00

(III) Consolidated financial statements of affiliates:

Representation Letter

The entities required to be included in the consolidated financial statements of Shihlin Paper Co., Ltd. as of December 31, 2022 (January 1 to December 31, 2022), under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards 10. In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, the Company and its subsidiaries do not prepare a separate set of combined financial statements.

Sincerely,

Company Name: Shihlin Paper Co., Ltd.

Person in Charge: Tai Shih Trading Co., Ltd.

March 13, 2023

(IV) Affiliation Report: None

II. Private Placement of Securities in the Last Year and As of the Publication Date of the Annual Report

None

III. The Company's Shares Held or Disposed of by the Subsidiaries in the Last Year and As of the Publication Date of the Annual Report

None

IV. Other Necessary Supplementary Disclosure

None

V. Any Matters that Have a Significant Impact on Shareholders' Equity or Securities Prices as Specified in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act Shall Also Be Specified One by One in the Last Year and As of the Publication Date of the Annual Report

None

Shihlin Paper Co., Ltd.

Person in Charge: Tai Shih

Trading Co., Ltd.