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# **Shihlin Paper Co., Ltd.**

## **SHIHLIN PAPER CORP.**

### **2023 Annual Report**

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#### 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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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. 2023 business report

### (I) Focus on the consumer goods market

#### 1. Baby Lion

(1) At present, the Company is committed to stepping into the consumer market. In response to the increasing utilization rate of wet wipes in the overall market, the Company will spare no effort in developing Baby Lion brand products in 2023. In addition to the existing wet wipes, the Company has also added the anti-mosquito series and the baby shower series products to expand market share. In response to the post-pandemic era, 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 2023. 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 skin care products include the new products - Pomegranate Polyphenol skin care products of the Mori series, Forest Beauty 14 Days new comfort series, and high-end new skin care products Micro Gold Superconducting Royal Jelly Peptide series sold in major department stores nationwide. In addition, we are expanding into the international market. In 2023, due to the pandemic and the post-pandemic era, Forest Beauty launched a series of essential oil facial masks that are suitable for the body, mind, and spirit, so that consumers can experience the experience of home care and relaxation more. 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 the safe, effective, and harmless natural plant extracts, the brand of Forest Beauty has gradually expanded its market share. The high quality of the products has also been recognized by 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) 2023 consolidated financial income, expenses and profit

Unit: NTD thousand

Consolidated Statement of Comprehensive Income	2023	2022	Change (%)
Net operating income	171,105	165,058	3.66
Gross operating profit	84,954	76,145	11.57
Net operating loss	(64,656)	(103,224)	(37.36)
Net of Tax	86,352	211,780	(59.23)

## II. Summary of the 2024 business plan

(I) Baby Lion

1. This year, the Company's business operation direction will be marketing-oriented instead of production-oriented, continue to expand market share and operating performance, and improve brand profitability.
2. In response to the advent of the era of low birthrate, the increasing demands of consumers for product enhancement, and the growth of the adult market, the Company will continue to optimize product integration and efficient products suitable for channels according to market demand (ingredients, packaging, etc.) in order to facilitate long-term high turnover rate.
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 also improve the CRM system of the e-commerce platform and cultivate loyal customers for the brand.

## (II) Forest Beauty

1. The operation direction of the Company this year is to stabilize the market with sales and marketing, improve brand awareness and product exposure through marketing planning and promotion, and optimize the market channel structure to improve 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. Based on the cost/value concept, Forest Beauty's high quality and affordable features will lead to a revolution in the facial mask market. It allows consumers to pay more attention to safe, effective, and harmless products suited for their personal skin in addition to the price.
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 also improve the CRM system of the e-commerce platform and cultivate loyal customers for the brand.

## III. Future development strategy

### (I) Short-term business development plans

1. Sales strategy
  - (1) Based on product attributes and positioning, develop new customer groups, and formulate marketing strategies based on product and function differentiation.
  - (2) Revitalize the brand vitality, grasp the needs of consumers, innovate and copy successful cases, and launch new products as appropriate.
  - (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) Grasp the market dynamics and develop differentiated and customized products to facilitate the development and successful launch of new products.
  - (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 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 Company's main products are mainly sold in Taiwan, with northern, central and southern regions as the plan to stabilize the Taiwan market.
2. Future supply, demand and growth: According to the professional market research and market survey statistics, it shows that the wet tissue market continues to grow, and safety and professionalism are 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 areas of Forest Beauty main products are mainly in Taiwan, with northern and central and southern regions as the main sales areas. We have a foothold in Taiwan and a global presence.

2. Future supply, demand and growth: According to the professional market research, market survey statistics and actual sales channels, it shows that the facial mask market continues to grow, and the concept of appealing for natural plant extracts also makes consumers feel at ease and accepted. 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. The impact of legal and the overall business environments**

- (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. 2023 business report

- (I) The land development project for the site of the Shilin Paper Mill was carried out in accordance with the "Taipei City Shilin District Urban Plan Review (Detailed Plan) (Phase 3)" announced by the Taipei City Government on June 13, 2023 for the park and the city. In addition, some buildings in the plant area were designated as historic buildings by the resolution of the 140th Taipei City Government Cultural Assets Review Committee on September 27, 2021. The 1st review team meeting for the "Shilin Paper Mill Restoration and Reuse Project" was held on July 25, 2023. The 2nd review team is expected to be convened; the project is aimed to improve investment efficiency, promote regional co-prosperity, and shaping the urban environment through overall development.
- (II) The construction permit application for the Warehouse No. 5 hotel urban renewal project was completed in the second quarter of 2020 (a hotel building with 12 floors above ground and three floors underground), and the application for commencement was completed in the third quarter of 2020, and the grouting for the 11th floor was completed at the end of 2023.
- (III) The development project at No. 18 Fude Road is expected to build a new hotel building with ten levels above ground and three levels underground. The renovation project for the dangerous and old building was completed in the third quarter of 2020. The construction permit was obtained in the second quarter of 2022, and the application for construction start was completed in the fourth quarter of 2022. Contracting and contract signing in the third quarter of 2023, and the removal of the existing ground features in the fourth quarter of 2023.
- (IV) Guanghua 2 Subsection 669-3 and 669-15 were added to the adjacent land lot 635 in 2022 and the redevelopment of the dangerous and old buildings in the dangerous and old buildings has been changed in the second quarter of 2022. The design drawings are currently being adjusted. 2024 Completed design changes and construction engineering contracting.
- (V) Datong District's Land Number 901, Subsection 2, Datong Section, Datong District participated in the joint-construction project of Nianfeng Construction. The renovation project for the dilapidated and old building was completed in the first quarter of 2021, and the construction license application was completed in September 2021. For the transferable portion, except for the storefront and one parking space on the first floor, the pre-sale contract for the remaining 7 rooms and 6 parking spaces was signed in the first quarter of 2022.

- (VI) Sunshine Paper Sun Hotel Shihlin was converted from an epidemic prevention hotel to a regular hotel in the fourth quarter of 2022. The original affiliated restaurant was renamed Between Breaths and began to operate, serving brunch to residents and outside customers; the coffee shop Neihu Sales Office is located in Increase and adjust food and beverage items in 2023 to increase overall revenue.

## **II. Summary of the development plan in 2024**

- (I) The land development project of the old Shilin Paper Mill project is expected to hold the 2nd cultural assets team review meeting of the Shilin Paper Mill Historic Building Rehabilitation and Reuse Project in the first quarter of 2024, and it will be submitted to the urban renewal project and the urban renewal project in the fourth quarter of 2024 Rights transfer plan.
- (II) The Warehouse No.5 hotel urban renewal project is expected to complete the structure in the first quarter of 2024, start the exterior decoration and interior decoration work in the second quarter, and obtain the use permit in the fourth quarter.
- (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) 635, 669-3 and 669-15 of Guanghai 2nd Subsection 635, 669-3 and 669-15 are jointly building a residential building with eleven stories above ground and three stories below ground with the neighboring land. Currently, the first change of design drawing is in progress, which is expected to be completed in the middle of 2024 Design, contracting and sales operations in the second half of 2024.
- (V) Self-owned land at No. 18, Fude Road, for the construction of ten levels above ground and three levels of hotel building underground. The diaphragm wall construction is scheduled to be completed in the first quarter of 2024; the earthwork and safety support works are scheduled to be completed in the second quarter of 2024; the first floor is scheduled to be completed in the third quarter of 2024 Base plate structure project; the base plate structure project on the 5th floor is completed in the fourth quarter of 2024. The use permit is scheduled to be obtained in the third quarter of 2026.
- (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 seven residential units and six parking spaces were for pre-sale.

### **III. Development strategy**

Sunshine Shihlin Development Co., Ltd. is a sustainable company, conducting the best management of its own land assets and re-planning and decorating existing properties according to the conditions of its self-owned land to improve the per ping efficiency and occupancy rate, and activate the idle land by planning the use of parking lots. In addition, the Company will continue to integrate other lands with development potential. Through joint constructions, urban renewal, or redevelopment of old buildings, it aims to diversify its operations into areas such as hotels, residential properties, commercial offices, restaurants, and shopping malls, creating niche opportunities for the Company. In the future, the goal is to preserve the cultural context of Shilin District and enhance the overall regional value, working together to create maximum benefits.

### **IV. Responding to the external competitive environment**

Due to the slowdown of the COVID-19 epidemic and the gradual opening of borders, international travel services are gradually recovering. Sunshine Paper Sun Hotel Shilin was converted back to a general hotel in the fourth quarter of 2022. In the future, resources will continue to be integrated to improve occupancy. The restaurant is open to the public, and increase overall revenue.

### **V. The impact of legal and the overall business environments**

The amendments to the "Urban Renewal Act" were promulgated and promulgated on January 30, 2019. The Company has actively reviewed the existing land asset conditions and conducted various asset activation assessments. In addition, the Regulations Governing the Acceleration of Reconstruction of Dangerous and Old Buildings in Taipei City came into effect in October 2019. In 2020, the Company reviewed qualified land assets for joint construction and self-construction development operations, and completed the construction of two new projects in Guanghua Section Construction permit application and pre-sale of the joint-construction project in Datong Section.

In 2023, the global economy continued to be impacted by the COVID-19 pandemic. The increase in raw materials and labor shortage in the domestic construction industry greatly affected the progress and cost of new construction projects. In the future, the Company will continue to closely monitor fluctuations of construction costs and labor shortage in the macro environment, and make appropriate countermeasures and adjustments.

In view of the gradual recovery of the housing market in 2024, the Company's projects in development are transitioning to operational status according to plan. However, the volatile situation globally significantly affects fluctuations in raw material prices. Additionally, domestic political and regulatory adjustments continue to cause industry

fluctuations. Investors are becoming more conservative in their assessments. Therefore, the Company's business expansion follows a more cautious approach, carefully evaluating the impact of each factor to successfully achieve its set goals.

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 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. The initial capital was NTD 27,200,000.

At the beginning of the Company's establishment, Shilin Paper Mill had only two paper machines 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 break through operational difficulties, the Company repaired and updated the 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 Shilin Paper Mill to end the 80 years of operations. After approved 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.

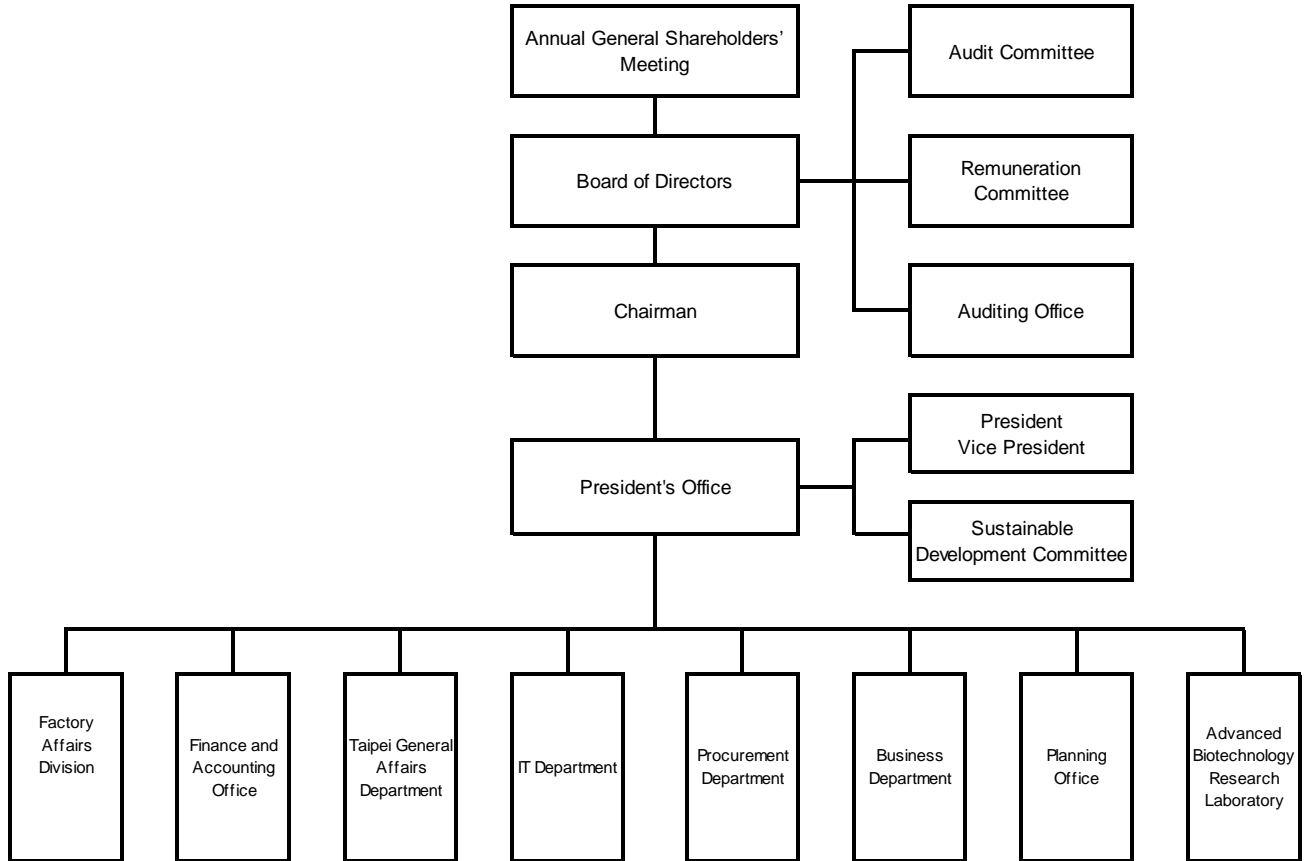
On June 27, 2014, the shareholders' meeting approved the closure of Yongan Plant. In October of the same year, Yongan Plant was officially suspended. The Company has planned a series of supporting measures for transformation, including land revitalization and paper processing. To adapt to market changes 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.

The authorized capital at the end of 2023 was NTD 2.8 billion, and the paid-in capital was NTD 2,600,391,210.

# Three. Corporate Governance Report

## I. Organization

(I) Organizational Chart of the Company:



(II) Businesses of each department

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"> <li>1. The formulation and promotion of business policies and goals, strategic planning, and business management.</li> <li>2. The promotion and supervision of various management regulations, as well as the implementation of management in various departments of the company.</li> <li>3. Administering the execution and coordination of the Company's business activities, setting business goals, and commanding and supervising the operations of each department.</li> <li>4. Coordinating 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.</li> <li>5. Secretarial Group: Responsible for HR administrative affairs and secretarial work.</li> </ol>
Factory Affairs Division	<ol style="list-style-type: none"> <li>1. Implement various services to promote good neighborliness and establish good public relations.</li> <li>2. Handling and resolving communication regarding issues raised by vendors.</li> <li>3. Work safety management, well extension, and water usage declaration.</li> <li>4. Supervision and management of logistics-related businesses.</li> </ol>
Finance Office	<ol style="list-style-type: none"> <li>1. Responsible for the preparation and execution of budgets and final accounts.</li> <li>2. Establishment of the accounting system.</li> <li>3. Recording of accounting matters.</li> <li>4. Review of various receipts and expenditures.</li> <li>5. Fund allocation.</li> <li>6. Investment in securities, stock affairs, and related financial matters.</li> </ol>
Taipei General Affairs Office	<ol style="list-style-type: none"> <li>1. General affairs and administration.</li> <li>2. Management of property, plant and equipment.</li> <li>3. Rental and leasing business management.</li> <li>4. Warehousing and cargo management.</li> </ol>
IT Department	<ol style="list-style-type: none"> <li>1. Promotion of the Company's computerized operations and establishment and maintenance of information systems.</li> <li>2. Implementing computer operations, operating system planning, program design, and management and utilization of computer resources.</li> <li>3. Planning, monitoring, execution, and management of information security systems.</li> </ol>
Procurement Department	<ol style="list-style-type: none"> <li>1. Arrange procurement plans.</li> <li>2. Ordering and delivery control of materials.</li> <li>3. Search for suppliers of new products and new materials.</li> <li>4. To Master the changes in the market price and quality of raw materials.</li> <li>5. Improve product quality and reduce procurement costs.</li> </ol>

Department Name	Content
Business Division	<ol style="list-style-type: none"> <li>1. Development of online and offline markets for domestic and foreign products.</li> <li>2. Planning and execution of domestic and overseas online/offline marketing.</li> <li>3. Monthly, quarterly, and annual business targets are set, executed, and reviewed.</li> <li>4. Domestic and foreign collaborative online and offline channels, and education and training of sales personnel.</li> <li>5. Cooperative development and connection with different industries.</li> </ol>
Planning Office	<ol style="list-style-type: none"> <li>1. Product development and planning.</li> <li>2. Market research and analysis.</li> <li>3. Brand strategy planning.</li> <li>4. Marketing and advertising execution.</li> <li>5. Visual design planning.</li> </ol>
Advanced Biotechnology Research Laboratory	<ol style="list-style-type: none"> <li>1. Formulate and execute the R&amp;D direction.</li> <li>2. Trial procedure planning, trial execution, and outcome evaluation.</li> <li>3. Product development and market research.</li> <li>4. Compliance with cosmetics laws and regulations.</li> <li>5. Compliance with product labeling laws and regulations.</li> </ol>

## 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 June 14, 2022)

April 20, 2024

Title	Nationality or place of registration	Name	Gender Age	Date of (elected to) office	Term	Date of 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			Remark (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	June 14, 2022	3 years	49/11/5	904,667	0.35%	904,667	0.35%	0	0%	0	0%	Chairman, Wan Hai Lines Ltd. (MBA, University of San Francisco)	Corporation representative, Chairman, Wan Hai Lines Co., Ltd. Vice Chairman of 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	June 14, 2022	3 years	55/3/23	825,905	0.32%	825,905	0.32%	0	0%	0	0%	Chairman, Yee Tzao Enterprise Co., Ltd. (Hungkuo Delin University of Technology)	Chairman, Chairman, Yee Tzao Enterprise Co., Ltd. Chairman, Elation Machinery Industrial Corp. Director, Unicooperate International Co., Ltd. Director, Xiang Deng Construction Co., Ltd.	None	None	None	None
Director	Taiwan, R.O.C	Yi Xiang Industrial Co., Ltd. Representative: Chih-Yuan Chen	Male 61-70 years old	June 14, 2022	3 years	June 8, 2016	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	Taiwan, R.O.C	Wan Hai Shipping Social Welfare Foundation Representative: You Chen (Note 2)	Male 31-40 years old	June 5, 2023	3 years	96/6/13	18,150,259	6.98%	18,150,259	6.98%	0	0%	0	0%	Director, Li Yu Hsing Co., Ltd (Philosophy, Ph.D., University of California)	Director, Li Yu Hsing Co., Ltd	None	None	None	None
Independent Director	Taiwan, R.O.C	Hsiao-Chueh Hsieh	Female 61-70 years old	June 14, 2022	3 years	June 24, 2019	0	0%	0	0%	0	0%	0	0%	Vice President of Administration and Finance of June Lai Metal Co., Ltd.; Head of Finance Section, Jutung Motors Co. (National Chengchi University MBA '05; Banking and Insurance Division, Chihlee University of Technology)	Vice President, Management Department, June Lai Metal Co., Ltd.	None	None	None	None
Independent Director	Taiwan, R.O.C	Ming-Chu Chen	Male 71-80 years old	June 14, 2022	3 years	June 8, 2016	0	0%	0	0%	0	0%	0	0%	Head (Director), Department of Architecture and Urban Design, Chinese Culture University Director, Institute of Architecture, Tamkang University Chairman, Foundation for Research on Open Space, Taipei Distinguished Adjunct Professor, College of Environmental Design, Chinese Culture University (M.S. Urban Planning, Graduate School of Architecture, University of Columbia; Master of Architecture, College of Fine Arts, Ohio University)	Chairman, 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 71-80 years old	June 14, 2022	3 years	June 24, 2019	0	0%	0	0%	0	0%	0	0%	Director-General, Construction and Planning Agency, Ministry of the Interior (Institute of 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 The Board of Directors of Wan Hai Shipping Social Welfare Charity Foundation was appointed on June 5, 2023.

## 2. Major Shareholders of Institutional Shareholders

April 20, 2024

Name of Corporate Shareholder	Major Shareholders of Institutional Shareholders
Tai Shih Trading Co., Ltd.	Hui-Ying Chen 4%, Yin-Ru Chen 17.87%, Mei-Ru Chen 9.65%, Po-Ting Chen 2.99% Chao-Di Chen 6.98% , Daoqi Co., Ltd. 15.62% , Daopu Co., Ltd. 13.62% Daokuan Co., Ltd. 15.65% , Daozhou Co., Ltd. 13.62%
Yee Tzao Enterprise Co., Ltd.	Shi-Teng Lin 62.2% , Wu, Qiu-Ling Wu 18.09% , Yue- Hsia Lin 3.71% , Lin Cheng-Hsiung Lin 8% , Lin Yu-Hsuan Lin 8%
Yi Hsiang Industrial Co.,Ltd.	Skyway Industrial Limited 34.211% , Hsinfeng Co., Ltd. 18.421% Yong Yi, Co. ,)Ltd.18.421% ,FOONDALEY( CO., , LTD. 13.158% Yi Yuan Industrial (Co.)Ltd.9.211% 、 YiChao 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%
Wan Hai Charitable Foundation	None

3. Institutional shareholders whose major shareholders are institutional shareholders

April 20, 2024

Name of Legal Entity (Note 1 )	Major shareholders of Legal Entity (Note 2 )
Dao Kuan Co.,Ltd.	a Bahamas companyDiscovery Treasure Limited , 100%
Dao Pu Co., Ltd.	a Bahamas companyIntegrated Global Investments Limited , 100%
Dao Zhou Co.,Ltd.	a Bahamas companyChesterfield Capital Management Inc 100%
Skyway Industrial Limited	CCS Co., Ltd. 100%
Hsing Feng Co.,Ltd.	Skyway Industrial Limited 83.333% , Yiyuan Industrial Co.,)Ltd., 3.730% 、 Yichao Industrial (Co.)Ltd.,3.532% , Yihsiang Industrial (Co., )Ltd.3.532%Chih Yuan Chen 2.603% 、 Chih-Hsiang Chen 1.258% , Chi-chao Chen 1.218% , Wan-yun Chang 0.794%
Yeong Yi Asia Corp.	Samoa businessman Smithson Crawford Murray Capital 32.165% , Shin Feng(Co.,)Ltd.24.962% Fontainebleau(Co. )Ltd. 24.517% 、 Skyway Industrial Limited 4.923%Yichao Industrial (Co.)Ltd. 4.144% Yung Yuan Education Development Foundation 3.436% , Chen Chih-Chao 1.947% Sui Shih Sung (Co.,) Ltd.1.727%Yi Yuan Industrial (Co.)Ltd.1.154% Gang Du Industrial(Co.)Ltd.0.683%
Feng Tan Pai Lou Co.,Ltd.	China Container Lines Corporation 56.933% ; Skyway Industrial Limited 22.548% ; Samoa Smithson Crawford Murray Capital 9.442%Yongyi(Co.,) Ltd.2.157% 、 Yiyuan Industrial , Co.,)Ltd.2.155%,Yichao Industrial (Co.,)Ltd. )Company 2.121% , Yi Hsiang Industry (Co.,) Ltd.2.121%Chih -Yuan Chen 0.960% Gang Du Industrial ( Co.)Ltd. 0.564% Hsin Feng(Co.)Ltd.0.564%
Yi Yuan Industrial Co.,Ltd.	Skyway Industrial Limited 22.616% , Yong Yi(Co.,) Ltd.18.847%Fontainebleau(Co.)Ltd.18.847%Hsinfeng(Co.,)Ltd.18.847% Chih -Yuan Chen 16.698% Sui Shih Sung( Co. )Corporation 1.998%Meng-li Chou 1.885% , Yu -An Chen 0.196% , Wan-yun Chang 0.038% , Chao-Heng Chen0.030%
Yi Chao Industrial Co.,Ltd.	Chen, Chih-Chao 49.891% , Skyway Industrial Limited 30.435% , FONTEK(Co.) 11.594%, Hsinfeng (Co., )Ltd.8.043%Chih Yuan Chen0.009% Chao-Heng Chen 0.009 % , Wan-yun Chang 0.009% , Shao-Ning Chang 0.009%
Tai Power Enterprise Corporation	UNIMODE INVESTMENT Co.,LTD 90.821% ; Yong Chun(Co.)Ltd. 9.116% Ching-Chi Chen0.034% , Chen Li 0.021% Wen-Chung Su 0.002% De-Ming Lin 0.002% Xiu-Wen Wang 0.002 % Ann- Chou Lin 0.002%
Yi Chun Shipping Co.,Ltd.	LY Investment Co., Ltd. 100%
Liyou Investment Co., Ltd.	Randy Chen 48.75% , Shea Chen 48.75% , Ruth. Yin Hua Chen 1.25% , CC Chen 1.25%
UNIMODE INVESTMENT CO., LTD.	LY Investment Co., Ltd. 100%

#### 4. Disclosure of information on directors' professional qualifications and independence of independent directors

April 20, 2024

Name	Condition	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		Academic degree: Master of Business Administration, University of San Francisco, USA Chairman and Representative of Wan Hai Maritime Co., Ltd. Vice Chairman of Sunshine Shihlin Development Co., Ltd., None of the circumstances described in Article 30 of the Company Act ( Note 1 )	Representative of Tai Shih Trading Co., Ltd. The representative 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		Education: Delin Institute of Technology Chairman, Yee Tzao Enterprise Co., Ltd. Chairman, Elation Machinery Co., Ltd. Director, Unicooperate International Co., Ltd. Director, Xiang Deng Construction Co., Ltd. None of the circumstances described in 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 Xiang Industrial Co., Ltd. Representative: Chih-Yuan Chen		Education: Graduate School of Business Administration, New York University, USA Chairman, Yi Yuan Industrial Co., Ltd. Vice Chairman, Taian Insurance Co., Ltd. Chairman, Sunshine Shihlin Development Co., Ltd Corporate Representative Director of China Airlines Co., Ltd. None of the circumstances described in 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
Representative of Wan Hai Shipping Social Welfare Foundation: You Chen		Education: Doctor of Philosophy, University of California, USA Director of Lijou Corporation None of the circumstances described in Article 30 of the Company Act ((Note 1)	A spouse or relative within the second degree of kinship relationship of another director.	0
Ming-Chu Chen		Academic Qualification: Master of Urban Design, Columbia University, USA, Master of Architecture, Ohio University, USA Experience: Member of the Academic Committee of the Association of International Port and City Cities (IAPC); Chief Urban Planner of Gresham&Smith Architects, USA; Chair of the Department of Engineering and Graphics, Danish Institute of Technology, South Carolina, USA; New City of Harbison, USA Town Chief Planner, Urban Designer of the Design Division of the Housing and Urban Development Authority of New York City, USA, Director of the Institute of Architecture and Urban Planning, Chinese Culture University, Dean of the Department of Architecture and Urban Design, Chinese Culture University, and Director of the Architecture Institute of Tamkang University. Current position: Distinguished Professor of Chinese Culture University and Supervisor of Alumni Association; Taipei City Open Space Culture and Education Foundation Chairman, Executive Director of the Real Estate Association of the Republic of China, Independent Director, Member of Audit Committee and Remuneration Committee of Shihlin Paper Industry 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 circumstances specified under Article 30 of the Company Act(Note 1)	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The Shares of the Company are not held by the Shareholders themselves, their spouse or underage children, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years. He does not concurrently serve as an independent director in other public companies. Meet the independence requirements of independent directors.	0
Ming-Chien Tang		Education: Urban Planning Bureau, Industrial Planning Institute, Chinese Culture University; formerly Director-General of Urban Planning Bureau, Independent Director, Audit Committee member, and Compensation Committee Member at Shilin Paper Co., Ltd. No circumstances specified under Article 30 of the Company Act(Note 1)	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The Shares of the Company are not held by the Shareholders themselves, their spouse or underage children, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years. He does not concurrently serve as an independent director in other public companies. Meet the independence requirements of independent directors.	0
Hsiao-Chueh Hsieh		Education: National Chengchi University, EMBA '05 Onces served as Chief of Finance in Jiu Tong Automobile Co., Ltd., currently Vice President of Finance and Accounting in Junlai Metal Co., Ltd., Independent Director, Convener of Audit Committee and Member of Remuneration Committee of Shihlin Paper Industry Co., Ltd. More than 20 years of accounting and financial expertise and financial practice experience. No circumstances specified under Article 30 of the Company Act(Note 1)	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The Shares of the Company are not held by the Shareholders themselves, their spouse or underage children, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years. He does not concurrently serve as an independent director in other public companies. 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 managerial personnel 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 current Board of Directors of the Company consists of 7 directors with extensive experience and expertise in various fields such as architecture and design, construction planning, finance and finance, accounting, and business management. At present, among the seven directors, five are male, accounting for 71%. There are 2 female directors, accounting for 29%. One director aged between 30 and 50, accounting for 14% of the total number of directors. Six directors are over 50 years old, accounting for 86%.
- (3) Among the seats of directors in the preceding paragraph, there shall be 3 independent directors, accounting for 43%. The candidate nomination system shall be adopted, and the shareholders shall elect the directors from the list of independent director candidates. 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 20, 2024

Title	Nationality	Name	Gender	Date of (elected to) office	Number of shares held		Shareholding of spouse and underage children		Holding shares in the name of another person		Main experience (education)	Concurrent positions in other companies	Manager with spouse or consanguineous within two degrees			Remark (Note 1)
					Shares	Percentage of Shareholding	Shares	Percentage of Shareholding	Shares	Percentage of Shareholding			Title	Name	Relationship	
President	Taiwan, R.O.C	Cheng-Cheng Tsai	Male	January 1, 2018	0	0	0	0	0	0	President of Shihlin Paper Co., Ltd. ( Department of Shipping Management, National Taiwan Ocean University )	Supervisor, Shihlin Environment Corporation	None	None	None	None
Vice President	Taiwan, R.O.C	Chen, Mei-Ru	Female	2004/7/1	2,131,906	0.82	0	0	0	0	Vice President, Shihlin Paper Co., Ltd. ( Master's Degree, Boston University )	Chairman, SUNNYFIELD SHIH-LIN Co., Ltd.; Director, Shihlin Environmental Protection Co., Ltd.	None	None	None	None
Associate VP	Taiwan, R.O.C	Hung-Chu Li	Male	March 15, 2022	0	0	0	0	0	0	Assistant Vice President of Shihlin Paper Co., Ltd. (Department of Social Sciences, National Open University)	None	None	None	None	None
Manager:	Taiwan, R.O.C	Ni-Ru Lin	Female	March 22, 2019	0	0	0	0	0	0	Manager of Shihlin Paper Co., Ltd. ( Department of Accounting, Soochow University )	Accounting Manager, 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: NTD thousand

Title	Name	Remuneration to directors								The proportions of items A, B, C, and D collectively, to the net profit after tax (Note 1).		Compensation for part-time employees								The proportions of items A, B, C, D, E, F, and G, collectively, to the net profit after tax (Note 1)(1)		Remuneration received from reinvested businesses or from the parent company	
		Remuneration (A)		Severance pay and pension (B)		Remuneration to directors (C)		Business execution expenses (D)				Salaries, bonuses and allowances (E)		Severance pay and pension (F)		Employee remuneration (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	Cash Amount	Amount of shares	Cash Amount	Amount of shares	The Company	All companies included in the financial statements		
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	Yi Xiang 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
Director	Wan Hai Shipping Social Welfare Foundation 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
Independent Director	Hsiao-Chueh Hsieh	0	0	0	0	0	264	264	0.31%	0.31%	0	0	0	0	0	0	0	0	0	0	0.31%	0.31%	None
Independent Director	Ming-Chu Chen	0	0	0	0	0	256	256	0.30%	0.30%	0	0	0	0	0	0	0	0	0	0	0.30%	0.30%	None
Independent Director	Ming-Chien Tang	0	0	0	0	0	256	256	0.30%	0.30%	0	0	0	0	0	0	0	0	0	0	0.30%	0.30%	None

1. Please state the policy, system, standard and structure of the remuneration to independent directors, and the correlation to the amount of remuneration based on the responsibilities, risks, time invested and other factors:  
The remuneration to the independent directors of the Company is based on the resolutions of the 8th meeting of the 23rd and the 2nd meeting of the 24th board of directors, and the professional fees are paid according to their roles.

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 a non-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 The Board of Directors of Wan Hai Shipping Social Welfare Charity Foundation was appointed on June 5, 2023.

\* 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: NTD thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Amount of employee compensation (D)				The percentage of the total of items A, B, C, and D to the net profit 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 of shares	Cash Amount	Amount of shares			
President	Cheng-Che Tsai	1,596	1,596	100	100	244	244	0	0	0	0	2.24%	2.24%	None
Vice President	Chen, Mei-Ru													

Remuneration Range Table

Remuneration Paid to President, and Vice Presidents	Name of President and Vice Presidents	
	The Company	All companies included in the financial statements
Less than NTD 1,000,000	None	None
NTD 1,000,000 (inclusive) -NTD2,000,000( exclusive )	Cheng-Che Tsai, Mei-Ru Chen	Cheng-Che Tsai, Mei-Ru Chen
NTD 2,000,000 (inclusive) -NTD3,500,000( exclusive )	None	None
NTD 3,500,000 (inclusive) -NTD5,000,000( exclusive )	None	None
NTD 5,000,000 (inclusive) - NTD 10,000,000 ( exclusive )	None	None
NTD10,000,000 (inclusive) - NTD 15,000,000 ( exclusive )	None	None
NTD 15,000,000 (inclusive) - NTD 30,000,000 ( exclusive )	None	None
NTD30,000,000 (inclusive) - NTD 50,000,000 ( exclusive )	None	None
NTD 50,000,000 (inclusive) - NTD 100,000,000 ( exclusive )	None	None
Over NTD 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, 2023; Unit: NTD Thousand

Title	Name	Salary (A)		Severance pay and pension (B)		Bonuses and allowances (C)		Amount of employee compensation (D)				The percentage of the total of items A, B, C, and D to the net profit 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 report		The Company	All companies included in the financial statements	
								Cash Amount	Amount of shares	Cash Amount	Amount of shares			
President	Cheng-Che Tsai	798	798	50	50	122	122	0	0	0	0	1.12%	1.12%	None
Vice President	Chen, Mei-Ru	798	798	50	50	122	122	0	0	0	0	1.12%	1.12%	None
Assistant VP, Sales	Hung-Chu Li	1107	1107	69	69	150	150	0	0	0	0	1.54%	1.54%	None
Manager, Finance Office	Ni-Ru Lin	972	972	60	60	132	132	0	0	0	0	1.35%	1.35%	None
Assistant Manager, Computer Department	Li, Li-Hua	984	984	60	60	83	83	0	0	0	0	1.31%	1.31%	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

In the most recent two years, the Company and all companies in the consolidated financial statements paid only the remuneration of the investee company's director

representative and the independent director's professional execution fees (accounting for 0.90% and 0.36% in 2023 and 2022 of after-tax net profits for No other remunerations were paid to directors and supervisors. The remunerations to the President and Vice Presidents were salaries, which accounted for 2.25% and 0.92% of the net income in 2023 and 2022, respectively; and the salaries were paid in accordance with the Company's personnel regulations.

#### IV. Operation of Corporate Governance

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

The Board of Directors held 6 meetings (A) in the most recent year, and the attendance of directors is as follows:

December 31, 2023

Title	Name	Actual(attendance)rate B	Number in attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Attendance of the 25th BOD : (January 1, 2023 - December 31, 2023; with the board of directors having had 6 meetings in the most recent year )					
Chairman	Representative, Tai Shih Trading Co., Ltd.: Po-Ting Chen	6	0	100.00%	
Director	Representative, Yee Tzao Enterprise Co., Ltd.: Chiu-Ling Wu	6	0	100.00%	
Director	Representative, Yi Xiang Industrial Co.,Ltd.: Chih-Yuan Chen	4	2	66.67%	
Director	Representative of Wan Hai Shipping Social Charitable Foundation : You Chen	3	0	100.00%	Newly elected on June 5, 2023
Independent Director	Hsiao-Chueh Hsieh	6	0	100.00%	
Independent Director	Ming-Chu Chen	6	0	100.00%	
Independent Director	Ming-Chien Tang	4	2	66.67%	

Other items to be recorded:

I. Article 14-3 of the Securities and Exchange Act, as well as other matters listed, along with decisions made by the board of directors where independent directors opposed or reserved their opinions with recorded or written statements, should include the date of the board meeting, term, content and the Company's handling of the opinions of the independent directors: Handle the motions in accordance with the law. All the motions of the board of directors this year, the independent directors did not object or qualified opinion.

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. Listed and OTC companies are required to disclose information regarding the evaluation cycle and period, scope, methods, and content of the self-assessment ((or peer evaluation) conducted by the board of directors.

Evaluation Cycle	Evaluation period	Evaluation scope	Method of evaluation	Content of evaluation
Performed once a year	January 1, 2023 to December 31, 2023	Overall Board of Directors, individual Board members and functional committees	Internal self-assessment	<p>Board of Directors:</p> <ol style="list-style-type: none"> <li>1. Participation in the Company's operations</li> <li>2. Improvement of the decision-making quality of the board of directors</li> <li>3. Composition and structure of the board of directors</li> <li>4. Election and continuing education of directors</li> <li>5. Internal control</li> </ol> <p>Members of the Board:</p> <ol style="list-style-type: none"> <li>1. Mastery of the goals and mission of the company</li> <li>2. Awareness of directors' duties</li> <li>3. Participation in the Company's operations</li> <li>4. Management of internal relations and communication</li> <li>5. Directors' professionalism and continuing education</li> <li>6. Internal control</li> </ol> <p>Functional Committees:</p> <ol style="list-style-type: none"> <li>1. Participation in the Company's operations</li> <li>2. Awareness of the duties of the functional committees</li> <li>3. Improvement of the decision-making quality of the functional committees</li> <li>4. Composition of the functional committees and selection of its members</li> <li>5. Internal control</li> </ol>

Overall evaluation: Good.

The Company held a total of 6 Board meetings in 2023, and the average attendance rate of directors was 90%; the attendance rate of directors and the operation of the Board of Directors were good, with the achievement rate of 88%-94% of the evaluation items this year. The current systems and implementation results of each functional committee are still sound, and there are no suggestions for improvement at the moment. The Board of Directors will continue to strengthen them based on the results of this evaluation to improve the effectiveness of corporate governance.

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 in order 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) The raising, issuance or private placement of marketable securities of an equity nature.
- (8) The appointment, dismissal or compensation of attesting CPAs
- (9) Appointment or removal of finance, accounting or internal audit officers.
- (10) Annual financial statements and semi-annual financial statements

2. Major tasks of the Audit Committee in 2023:

- (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) Assessment of the suitability of CPAs: The Audit Committee assesses the suitability of the appointed CPAs every year.

3. The Audit Committee met four times (A) in the most recent year, and the attendance of independent directors was as follows:

Title	Name	Number of actual attendances B	Number in attendance by proxy	Actual attendance rate (%) (B/A )	Remarks
Status of members' attendance, 2nd term:(January 1, 2023 - December 31, 2023 ; the Audit Committee met 4 times in the most recent year ) (A)					
Independent Director ( Convener of Audit Committee )	Hsiao-Chueh Hsieh	4	0	100%	
Independent Director ( Member of the Audit Committee )	Ming-Chu Chen	3	0	75%	
Independent Director ( Member of the Audit Committee )	Ming-Chien Tang	3	0	75%	
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: Handle the matters pursuant to the law, and the independent directors have no objection or qualified opinion on any proposal this year					
(II) Other than the aforesaid matters, any resolutions not approved by the Audit Committee but approved by more than two-thirds of all 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 head of internal audit, 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: In 2023 , a communication meeting was held between independent directors and CPAs. The main communication is summarized as follows :					

Date of meeting	Communication with accountants		
	Attendees	Matters	Result of communication
March 13, 2023	Independent Director Hsiao-Chuck, Hsieh Independent Director Ming-Chu Chen Independent Director Ming -Jian Tang Audit Supervisor Yu-Ling Hong	Independence of CPAs	1. A person subject to the independence of the firm to which an auditor belongs Members, the firm, and the alliance firm have complied with the independence rules. 2. There are no relationships or other matters between the firm or an alliance firm and the Company that may be considered to affect the independence after assessment.
		Auditors' responsibilities and scope of audit on the financial statements	1. The responsibilities of the CPAs are to check the financial statements prepared by the management and the governance unit under the supervision of the Company in accordance with the Auditing Standards, and to form and express an opinion. The audit does not relieve the management and the governance unit of their responsibilities for the financial statements. 2. Communication of key audit matters in the audit report. 3. The Company's financial statements are prepared in accordance with the Regulations Governing the Preparation of Financial Reports and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations Announcements approved and issued into effect by the FSC, and the audits are conducted in accordance with the Regulations Governing the Audit of Financial Statements by Certified Public Accountants and generally accepted auditing standards Executed. 4. The CPAs perform the relevant audit work based on the calculated materiality amount and adopt the expert opinions.

(II) Communication between independent directors and chief internal auditor: In 2023, four communication meetings were held between independent directors and chief internal auditor, and the main communications are summarized as follows:

Date of meeting	Communication with the internal audit supervisor		
	Attendees	Matters	Result of communication
March 13, 2023	Independent Director Hsiao-Chuck, Hsieh Independent Director Ming-Chu Chen Independent Director Ming -Jian Tang Audit Supervisor Ming-Fu Lin	1. Fourth quarter of 2022 audit implementation report and communication. 2. Declaration of internal control system for 2022.	1. Unanimously approved by all attending committee members without objection, and ratify for review. 2. All attending committee members unanimously approved the motion for the Board of Directors to resolve.
May 10, 2023	Independent Director Hsiao-Chuck, Hsieh Independent Director Ming-Chu Chen Audit Supervisor Ming-Fu Lin	Audit implementation report and communication in Q1 2023.	1. Unanimously approved by all attending committee members without objection, and ratify for review.
August 10, 2023	Independent Director Hsiao-Chuck, Hsieh Independent Director Ming-Chu Chen Independent Director Ming -Jian Tang Audit Supervisor Ming-Fu Lin	2. Audit implementation report and communication in the second quarter of 2023. 2. Amendment of the internal control system "Financial and Non-financial Information Management Operations"	1. Unanimously approved by all attending committee members without objection, and ratify for review. 2. All attending committee members unanimously approved the motion for the Board of Directors to resolve.
November 10, 2023	Independent Director Hsiao-Chuck, Hsieh Independent Director Ming -Jian Tang Audit Supervisor Ming-Fu Lin	1. Audit implementation report and communication in Q3, 2023. 2. Discussion of the 2024 audit plan.	1. Unanimously approved by all attending committee members without objection, and ratify for review. 2. All attending committee members unanimously approved the motion for the Board of Directors to resolve.

(III) The implementation of corporate governance and the deviation from the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies and the reasons therefor

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	Summary Description	
1. Has the Company established and disclosed its corporate governance principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	✓		The Company has established the "Corporate Governance Best-Practice Principles", which was approved after the discussion of the Board of Directors on November9 , 2021.The latest revised version is also disclosed on the Market Observation Post System and the Company's website from time to time. <a href="https://www.shihlin.com.tw/manage.html">https://www.shihlin.com.tw/manage.html</a>	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 has appointed the Shareholders Service Department to handle related matters on behalf of the Company, and has also appointed a spokesperson and deputy spokesperson to handle shareholders' suggestions, doubts and disputes, and fully disclose the contact information on the Company's official website Shareholders may voice their opinions through telephone and email, and the Company will handle the matter in accordance with the 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 agent.	No difference
(III) Has the Company established and implemented a risk control and firewall mechanism with its affiliates?	✓		(III) The Company has formulated the " Regulations Governing the Supervision and Management of Subsidiaries " and the " Measures for the Management of Transactions with Related Parties " , and proceeded in accordance with the Company's internal control system, and duly implemented the risk control mechanism and firewall mechanism with affiliated companies.	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 formulated the "Corporate Governance Best-Practice Principles", "Procedures for Handling Inside Information", "Ethical Corporate Management Best Practice Principles" and "Procedures for Ethical Management and Guidelines for Conduct", and informs the insiders and advocating or arranging insider-related refresher courses from time to time.	No difference
III. Composition and Responsibilities of the Board of Directors				
(I) Does the Board of Directors have the formulation of diversity policy, specific management goals and implementation?	✓		(I) The members of the Board of Directors are all elected by the shareholders' meeting, and the nominated independent directors In addition to considering their independence, the Company also nominates candidates with professional qualifications for shareholders' elections based on the needs of its business.The Company's current board members come from different fields of expertise, and there are 2 women members , accounting for nearly one-third of the board seats, and 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) In addition to the Remuneration Committee and the Audit Committee that the Company has established as required by law, and the Sustainable Development Committee established in the President's Office in 2022 , other functional committees will be evaluated and considered separately to be set up according to the 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 a method for evaluating the performance of the Board of Directors and how to evaluate the performance of the Board of Directors, conducts performance evaluation annually and regularly, and reports the results of the performance evaluation to the Board of Directors and uses them as reference for an individual Director ' s salary and compensation and nomination for reappointment?	✓		(III) The Company has established the Board of Directors' performance evaluation measures in 2020, and has conducted annual performance evaluations since 2020 , and submitted the results of the performance evaluations to the Board of Directors, and used them as a reference for the remuneration of individual directors.	No difference
(IV) Does the Company regularly evaluate the independence of the attesting CPA?	✓		(IV) The Company regularly evaluates the independence of CPAs every year. At present, there is no need to change the CPAs. Moreover, the CPAs of the Company are not related parties to the Company or directors, and there is no doubt about their independence.	No difference

Evaluation Items	State of Operations			Differences with the Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary Description	
IV. Does the listed company have a suitable and appropriate number of corporate governance personnel 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>It was approved by the Company's Board of Directors on May 11, 2021 that Vice President Mei-Ru Chen should serve as the Corporate Governance Supervisor to protect the rights and interests of shareholders and strengthen the functions of the Board of Directors. Vice President Chen, Mei-Ru has more than three years of experience as a financial officer of a public company.</p> <p>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>Its terms of reference include:</p> <p>1. Handle matters related to Board of Directors and Shareholders' Meetings in accordance with the law, prepare minutes of Board of Directors and Shareholders' meetings, assist directors and supervisors in their assumptions and continuing education, provide directors and supervisors with the information needed to carry out their duties, and assist directors and supervisors in legal compliance.</p> <p>2. In accordance with Article 6-24 of the Guidelines for the Establishment and Exercise of Powers of the Board of Directors of Listed Companies on the Taiwan Stock Exchange, a listed company shall arrange professional training for its corporate governance officer. The Head of Corporate Governance 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.</p> <p>Vice President, Mei-Ru Chen, Chief of Corporate Governance of the Company, has completed 12 hours of training in 2023, which complied with laws and regulations. The details of the courses are as follows:</p> <p>2023/04/20 Accounting Research and Development Foundation of the Republic of China-How to correctly understand Corporate Governance Assessment Indicators (3 hours)</p> <p>2023/04/27 Taiwan Stock Exchange-Sustainable development action plan publicity meeting for listed companies(3 hours)</p> <p>2023/07/04 Taiwan Stock Exchange-2023 Cathay Pacific Sustainable Finance and Climate Change Summit Altar of Corporate Sustainability (6 hours)</p>	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 entrusted Yuanta Securities Co., Ltd. to host the shareholders' meeting.	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 regularly disclose financial performance and corporate governance information.	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	✓		(II) The Company has a spokesperson and proxy 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 its first, second and third quarterly financial statements and operations for each month well in advance of the prescribed	✓		(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 operations within the period prescribed by law.

Evaluation Items	State of Operations		Differences with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and reasons
	Yes	No	
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.)?	✓		(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. (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. (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 Market Observation Post System (MOPS) or the website set up by the Company. (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. (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. (VI) Implementation of customer policies: The Company makes good use of the Internet to set up a website to accept customer complaints, actively respond to customer needs, and maintain smooth communication management with customers.
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 priority enhancements and measures for the 2023 10th Corporate Governance Evaluation			
Serial No.	Evaluation Indicators	Improved situation or priority enhancements and measures	
1	Does the Company establish an English website that includes financial, business and corporate governance information?	In the future, an English website will be created to include financial, business and corporate governance 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	Conditional Name	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 page 13 for information on directors' professional qualifications and independent director independence disclosure.	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The shares of the Company, their spouse and underage children are not held by the shares of the Company, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years. Concurrently, he is a member of the Remuneration Committee of Wan Hai Lines Co., Ltd.	1
Independent Director	Ming-Chien Tang	Please refer to page 13 for information on directors' professional qualifications and independent director independence disclosure.	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The shares of the Company, their spouse and underage children are not held by the shares of the Company, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years.	0
Independent Director	Hsiao-Chueh Hsieh	Please refer to page 13 for information on directors' professional qualifications and independent director independence disclosure.	The applicant, spouse, or relative within the second degree of kinship does not serve as a director, supervisor, or employee of the Company or any of its affiliated companies. The shares of the Company, their spouse and underage children are not held by the shares of the Company, nor are they held in the name of another party. He has not served as a director, supervisor, or employee of a company specifically related to the Company. No business, legal, financial or accounting service provided to the Company or its affiliated companies in the last 2 years.	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	Number of actual attendances B	Number in attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
The attendance of members of the 5th term: (January 1, 2023 - December 31, 2023; the Remuneration Committee met 2 times in the most recent year ) (A)					
Convener	Ming-Chu Chen	2	0	100%	
Committee Members	Ming-Chien Tang	2	0	100%	
Committee Members	Hsiao-Chueh Hsieh	2	0	100%	
Other items to be recorded:					
I. If the Board of Directors does not adopt or amend the suggestions of the Remuneration Committee, the date and term of the Board meeting, the contents of the motions, the resolutions of the Board of Directors, and the Company's handling of the Remuneration Committee's opinions should be disclosed (e.g. the reason for the difference shall be stated): No such situation.					
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)		Differences 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 111. 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. Does the Company conduct risk assessments on environmental, social and corporate governance issues related to its operations in accordance with the principle of materiality, and establish 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.	No difference
III. Environmental Issues				
(I) Has the Company established an appropriate environmental management system based on the characteristics of its industry?	✓		(I) The Company is committed to maintaining the internal and external environment of the plants, and all aspects of the environment and environmental protection have complied with relevant laws and regulations.	No difference
(II) Is the Company committed to improving energy efficiency and using recycled materials with low impact on the environment ?	✓		(II) The Company fully and effectively uses resources to reduce waste and cost.	No difference
(III) Does the Company evaluate the potential risks and opportunities posed by climate change to the Company at present and in the future, and take relevant countermeasures ?	✓		(III) In order to save water resources and energy consumption, the Company's plants continue to promote energy conservation, mainly focusing on electricity conservation measures, and fully implement energy conservation programs.	No difference
(IV) Has the Company kept statistics on the amount of greenhouse gas emission, water consumption and total weight of waste in the past two years, and formulated policies for greenhouse gas reduction, reduction of water consumption, and management of waste?	✓		(IV) The Company is not an energy-intensive industry and does not install or use facilities that generate large amounts of greenhouse gases. In the office area, we actively promote energy conservation and carbon reduction. We encourage the separation and recycling of waste and the use of eco-friendly chopsticks and water cups to reduce the impact on the environment.	No difference
IV. Social Issues				
(I) Has the Company established relevant management policies and procedures in accordance with applicable laws and International Bill of Human Rights?	✓		(I) The Company recognizes and follows the "United Nations Universal Declaration of Human Rights," "United Nations Global Compact," "United Nations Guiding Principles on Business and Human Rights," and "International Labor Organization - Declaration on Fundamental Principles and Rights at Work" and the principles disclosed in international conventions of human rights. Meanwhile, the Company has formulated work rules and other related management measures in accordance with labor laws and regulations to protect the legitimate rights and interests of employees. At the same time, an Employee Welfare Committee is in place to ensure employee welfare. In addition, the Company adopts an open two-way communication method to promote policies and understand employees' opinions.	No difference
(II) Does the Company formulate and implement reasonable employee welfare measures (including remuneration, leave and other benefits, etc.), and appropriately reflect the operating performance or results in the employee remuneration?	✓		(II) In addition to complying with the Labor Law, the Company appraises salaries based on their academic background, professional knowledge, and abilities, and the salary standards for men and women are consistent, and there is no difference ; in addition to the basic salary, the annual entitlement The Company has formulated comprehensive rules, including work rules, employee evaluation, education and training, annual bonuses, etc., to clarify and effective reward and discipline systems.	No difference
(III) Does the Company provide employees with a safe and healthy work environment, and provide employees with safety and health education on a regular basis?	✓		(III) The Company provides regular health checkups for employees every year . In order to prevent occupational disasters and protect the safety and health of employees, the Company has established the safety and health work rules to ensure the safety and health of employees, and actively and effectively prevent	No difference
(IV) Does the Company establish an effective career ability development training program for employees?	✓		(IV) The Company shall from time to time send relevant employees to the competent authorities to receive education and training.	No difference

Evaluation Items	State of Operations		Differences with the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies and reasons thereof	
	Yes	No		Summary Description
(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 establish relevant policies and complaint procedures to protect the rights and interests of consumers or customers?	✓		(V) The Company follows relevant regulations and international standards for product development, service, marketing and labeling.	No difference
(VI) Does the Company have a supplier management policy defined to require suppliers to comply with relevant regulations on environmental protection, occupational safety and health, or labor human rights, and the implementation status thereof?	✓		(VI) The Company regularly evaluates major suppliers. If there are any violations of its corporate social responsibility and significant impact on the environment and society, the suppliers will be immediately listed for observation and will be counseled for improvement.	No difference
V. Does the Company prepare 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 International Regulations Governing the Compilation of Reports.	In the future, subject to the requirements of the competent authority or laws and regulations, obtain confirmation or guarantee from a third-party verification unit in conjunction with the sustainability report.
VI. If the Company has established its own sustainable development best practice principles in accordance with the "Sustainable Development Best Practice Principles for TWSE/GTSM Listed Companies", please describe the current practices and any deviations from the Best Practice Principles: The Company has not yet established its own sustainable development best practice principles. The actual operation is in line with the rules.				
VII. Other important information helpful for understanding 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	Construction personnel are required to complete safety and health education and training and have a " Hazard Notice Form " issued before entering the plant. Supervision and operation inspections are strengthened before construction in the plant.	
4	Occupational Disaster Investigation and Analysis Management	Collection and arrangement of occupational hazard analysis reports	Protective improvements were made based on the analysis results, and hazard education and reminders were also provided to 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 you select "Yes" for the implementation, please specify the important policies, strategies, measures and implementations; if "No" for the implementation, please describe in the "Deviation from the Best Practice Principles for Sustainable Development of TWSE/TPEX Listed Companies." and causes" of the differences and causes, and the plans to adopt related policies, strategies, and measures in the future. However, with regards to 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 and 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	Operation status ( Note )		Differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof	
	Yes	No		Summary Description
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(I) Has the Company established an ethical corporate management policy approved by the Board of Directors, and stated in its Articles of Incorporation or external documents the Company's policies and practices on ethical management, and the commitment of the Board of Directors and senior management to actively implement business policies?	✓		(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 Best Practice Principles" on December 10, 2021 with reference to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies".	No difference
(II) Whether the Company establishes an assessment mechanism for the risk of unethical conduct, analyzes and assesses the business activities with higher risk of unethical conduct within the business scope on a regular basis, and establishes prevention programs accordingly, and at least covers the "listed" "Ethical Corporate Management Best Practice Principles", Paragraph 2, Article 7	✓		(II) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" to govern the specific ethical management practices and plans for preventing unethical behaviors, including the operating procedures, guidelines, and the establishment of an education, reward, and punishment system and disciplinary action. Regulate the precautions that personnel should be aware of when conducting business, and prohibit the offering or acceptance of unjustifiable benefits in order to prevent unethical practices.	No difference
(III) Does the Company have the operational procedures, behavioral guidelines, punishment and complaint systems specified in the prevention program for unethical conducts, and implemented, and the programs disclosed above are regularly reviewed and amended?	✓		(III) The Company has established the preventive programs in the "Procedures for Ethical Management and Guidelines for Conduct" against the acceptance of improper benefits, political contributions, donations or sponsorships, infringement of intellectual property rights, conflicts of interest, leakage of trade secrets, and insider trading; and measures.	No difference
II. Implementing Corporate Ethical Management				
( I ) Does the Company evaluate the ethical records of its trading counterparts, and specify the ethical conduct clauses in the contracts signed with its trading counterparts?	✓		(I) The Company conducts annual supplier evaluation, and will refuse to deal with suppliers with records of unethical behavior.	No difference
(II) Has the Company set up a dedicated unit under the Board of Directors to promote corporate ethical management, and has it reported its ethical management policies and programs to prevent unethical behaviors and supervision to the Board of Directors on a regular basis ( at least once a year ) ?	✓		(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 establishes policies to prevent conflicts of interest and provides appropriate channels of expression for colleagues to provide information and report 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 acts, and reviewed the compliance of the unethical behavior prevention plan accordingly, or appointed an accountant to perform an audit?	✓		(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 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.	No difference

Evaluation Items	Operation status ( Note )		Differences with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" and reasons thereof	
	Yes	No		Summary Description
(V) Does the company regularly conduct internal and external education and training on ethical management?	ü		(V) The Company has a dedicated unit that promotes education and 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 "Employee Work Rules"; if the report is true, the whistleblower will be given appropriate rewards in accordance with the "Employee Work Rules."	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 whistle-blowing. 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. Enhancing information disclosure Does the Company disclose the content of the Ethical Corporate Management Best Practice Principles and the implementation results on its website and the Market Observation Post System?	✓		The Company's Ethical Corporate Management Best Practice Principles and related information are disclosed on the Company's website and the Market Observation Post System. ◦ The Company's personnel are responsible for collecting, disclosing, and regularly updating such information, and will also post announcement on the Company's bulletin boards and mail to remind employees of ethical behavior.	No difference
V. If the Company has its own Ethical Code of Conduct 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 the Ethical Corporate Management Best Practice Principles and announced them on the Company's website. The Company's operations are consistent with the Best Practice Principles.				
VI. Other important information helpful to understand the Company's ethical corporate management operations (e.g., the Company's review and amendment of the Company's ethical corporate management best practice principles): In order to enhance corporate social responsibility and implement ethical management, the Company announces on the company's bulletin board to remind employees from time to time Be mindful of your own ethics.				

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:**

On November 9, 2021, the Company's Board of Directors resolved to establish the "Corporate Governance Best Practice Principles" and disclose it on the Company's website and the Market Observation Post System. Please visit the Company's website: <https://www.shihlin.com.tw> or the Taiwan Stock Exchange Corporation Public information platform: <https://mops.twse.com.tw>, to access important corporate governance-related 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. In addition, based on the audit report of the Audit Office, with the consent of the Audit Committee, it will be submitted to the Board of Directors for resolution to issue the Declaration of Internal Control System and report to the competent authority.
3. The Company prepares (amends) important financial regulations such as "Procedures for Endorsement and Guarantee", "Procedures for Lending Funds to Others", "Procedures for Acquisition and 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, 2024

The Company states the following with respect to its 2023 internal control system based on the results of a self-assessment:

- 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, 2023, 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 shall form an integral part of the Company's annual report and prospectus, and shall be disclosed 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 Board of Directors on March 13, 2024. Among the seven directors present at the meeting, 0 held any objection, and the rest all agreed with the content of this statement.

Shihlin Paper Co., Ltd.

Chairman: Taishi Trading Co., Ltd.

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 most recent year and up to the publication date of this annual report, the company and its internal personnel have been punished according to laws, or the company has punished its internal personnel for violation of the internal control system, and the results of the punishment may have a material impact on shareholders' equity or securities prices, shall be specified The content of penalties, main deficiencies and improvements :

None

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

1. Important resolutions of the shareholders' meeting:

Time	Recognitions and Resolutions				
2023 General Shareholders' Meeting ( June 5 , 2023 ) _	<p>The following matters are recognized</p> <p>I. Cause of motion: The 2022 Financial Statements and Business Report are submitted for recognition. Resolution: Passed by means of electronic and on-site voting.</p> <p>II. Cause of motion: The 2022 deficit subsidization is submitted for acknowledgment. Resolution: Passed by means of electronic and on-site voting.</p> <p>Discussion Items:</p> <p>I. Cause of motion: It is proposed to amend the Company's "Articles of Incorporation" for approval. Resolution: This motion was passed through electronic voting and on-site voting.</p> <p>II. Cause of motion: It is proposed to amend the "Rules of Procedure for Shareholders' Meetings" for approval. Resolution: This motion was passed through electronic voting and on-site voting.</p> <p>Election Items:</p> <p>Cause of motion: Please proceed to elect a by-election for a director seat. Election results: The winners are listed as follows</p> <table border="1" data-bbox="518 1339 1257 1413"> <thead> <tr> <th data-bbox="518 1339 687 1375">Title</th> <th data-bbox="687 1339 1257 1375">Name</th> </tr> </thead> <tbody> <tr> <td data-bbox="518 1375 687 1413">Director</td> <td data-bbox="687 1375 1257 1413">Wan Hai Charitable Foundation</td> </tr> </tbody> </table>	Title	Name	Director	Wan Hai Charitable Foundation
Title	Name				
Director	Wan Hai Charitable Foundation				

## 2. Important resolutions of the Board of Directors:

Time	Resolutions	
5th meeting of the 25th Board of Directors ( March 13, 2023 )	Cause of motion:	Formulated the 2022 statement of internal control system of the Company, and submit it for review.
	Cause of motion:	The "Articles of Incorporation" amendment is proposed for review.
	Cause of motion:	The "Rules of Procedure for Shareholders' Meetings" amendment is submitted for approval.
	Cause of motion:	2022 Financial Report and Consolidated Financial Statements have been prepared. Proposal is proposed.
	Cause of motion:	2022 business report.
	Cause of motion:	The Company's 2022 loss appropriation statement, submitted for review.
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.
6th meeting of the 25th Board of Directors ( April 24 ,2023 )	Cause of motion:	Please review the nomination for the election of one director.
	Cause of motion:	Proposal of amendment to the agenda for the 2023 annual general meeting of the Company.
	Cause of motion:	Amendment to the Company's "Shareholders' Meeting Procedure Rules."
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.
7th meeting of the 25th Board of Directors ( May 10 , 2023 )	Cause of motion:	Approval for submitting the Company's 2022 Sustainability Report.
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.
8th meeting of the 25th Board of Directors ( August 10, 2023 )	Cause of motion:	Proposal for the preparation and verification of the Company's sustainability report.
	Cause of motion:	Proposal of the Company's 2023 second quarter consolidated financial statements.
	Cause of motion:	Please proceed to discuss and approve the application of the subsidiary Shihlin Environment Corporation for a fund borrowing line of NT\$300 million
	Cause of motion:	Proposal to amend the "Financial and Non-financial Information Management Practices" of the Company's internal control system.
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.
9th Meeting of the 25th Board of Directors ( November 10 , 2023 )	Cause of motion:	Proposal to replace the Company's stock affairs agent.
	Cause of motion:	Proposal of the Company's 2023 performance evaluation of directors and managers, and the review of the policy, system, standards, and structure of remuneration, and proposal for approval.
	Cause of motion:	Proposal of the Company's 2023 Third Quarter Consolidated Financial Reports.
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.
10th meeting of the 25th Board of Directors ( December 21 , 2023 )	Cause of motion:	Evaluate the current status of compensation and remuneration for managers in 2023 and the achievement of performance targets, and propose the content and amount of individual remuneration for managers in accordance with the managerial compensation system and regulations approved by the Remuneration Committee for approval.
	Both resolved:	Approved by the Chairman after consulting all Directors and independent Directors present without objection.

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

None

## V. Public Fees of CPAs

Unit: NTD thousand

Name of Accounting Firm	Name of Attesting CPAs	Audit Period	Audit fees	Non-audit fees	Total	Note
Earnest & Co.,CPAs.	Yu-Ling Hung	January 1, 2023 to December 31, 2023	1,550	31	1,581	
	Min-Chih Cho	January 1, 2023 to December 31, 2023				

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:

None

## 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	2023		As of April 20, 2024		Remarks
		Increase in the number of shares held ( (less) number	Increase in the number of shares pledged ( (less) number	Increase in the number of shares held ( (less) number	Increase in the number of shares pledged ( (less) number	
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	Wan Hai Charitable Foundation	0	0	0	0	Newly elected on June 5, 2023
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	Chen, Mei-Ru	0	0	0	0	
Associate VP	Hung-Chu Li	0	0	0	0	
Manager:	Ni-Ru Lin	0	0	0	0	

## IX. Relationship information, if among the top ten shareholders any one is a related party or a relative within the second degree of kinship of another

April 20, 2024

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	Relationship	
Wan Hai Charitable Foundation	18,150,259	6.98%	0	0%	0	0%	None	None	
Representative: Po-Ting Chen	3,884,108	1.49%	345,261	0%	0	0%	None	None	
Tai Chuan Investment Co., Ltd.	17,986,525	6.92%	0	0%	0	0%	None	None	
Representative: Cheng-Chih Chen	5,947,389	2.29%	0	0%	0	0%	Cheng-Ti Chen	Siblings	
Yeong Yi Asia Corp.	16,521,434	6.35%	0	0%	0	0%	None	None	
Representative: Chen, Zhi-Yuan	751,826	0.29%	819	0%	0	0%	None	None	
Taiwan Evervaliant Corp.	12,674,381	4.87%	0	0%	0	0%	None	None	
Representative: Ching-Chi Chen	0	0.00%	0	0%	0	0%	None	None	
Wan Hai Lines Ltd.	10,710,088	4.12%	0	0%	0	0%	None	None	
Representative: Jiufu Garden Co., Ltd.	5,000	0.00%	0	0%	0	0%	None	None	
Cheng-Ti Chen	9,011,204	3.47%	0	0%	0	0%	Cheng-Chih Chen	Siblings	
Liuhe Investment Co., Ltd.	8,800,000	3.38%	0	0%	0	0%	None	None	
Representative: Yun-Yu Chiu	0	0%	0	0%	0	0%	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	5,947,389	2.29%	0	0%	0	0%	Cheng-Ti Chen	Siblings	

Note 1 : All of the top ten shareholders should be listed. For institutional shareholders, the names of the institutional shareholders and the representative should be listed separately.

Note 2 : The calculation of shareholding refers to the calculation of shareholding in own name, in the name of spouse and minor children.

Note 3 : The shareholders listed above include both juristic persons and natural persons, and the relationship between them should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Issuers.

## 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 20, 2024; Unit: Shares; %

Invested business (Note)	Investments by the Company		Directly or Indirectly Controlled Businesses and Investments of Company Directors, Supervisors, and Managers		Consolidated Investments	
	Shares Number	Shareholding percentage	Shares Number	Shareholding percentage	Shares Number	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 Status

### I. Capital and Shares

#### (I) Sources of capital

Unit: Share; NTD

Year Months	Issue price	Authorized capital		Paid-in share capital		Remarks		
		Shares	Amount	Shares	Amount	Sources of capital	Paid in properties other than cash	Others
September 3, 1994	10	250,000,000	2,500,000,000	202,706,600	2,027,064,600	Earnings transferred to capital increase totaling NTD 156,636,810 Capitalization of capital reserves for NTD 27,641,790	None	
September 24, 1995	10	250,000,000	2,500,000,000	207,774,122	2,077,741,220	Earnings transferred to capital increase totaling NTD 50,676,620	None	
August 31, 1997	10	250,000,000	2,500,000,000	222,941,633	2,229,416,330	Capitalization of capital reserves, totaling NTD 151,675,110	None	
August 31, 1999	10	250,000,000	2,500,000,000	240,776,964	2,407,769,640	Capitalization of capital reserves, totaling NTD 178,353,310	None	
September 1, 2001	10	280,000,000	2,800,000,000	260,039,121	2,600,391,210	Capitalization of capital reserves by NTD 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 20, 2024

Shareholder structure Quantity	Government agency	Financial institution	Other juridical persons	Individual	Foreign institution and individual	Total
Number of people	1	1	211	26,299	63	26,575
Number of shares held	1166	1,080	121,788,935	107,587,837	30,660,103	260,039,121
Shareholding percentage	0.00%	0.00%	46.83%	41.38%	11.79%	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) Distribution of shareholdings

April 20, 2024

Range of Shareholdings	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	20,601	1,136,837	0.44%
1,000 to 5,000	4,557	8,847,302	3.40%
5,001 to 10,000	608	4,846,281	1.86%
10,001 to 15,000	202	2,653,602	1.02%
15,001 to 20,000	120	2,226,028	0.86%
20,001 to 30,000	127	3,244,301	1.25%
30,001 to 40,000	61	2,170,406	0.83%
40,001 to 50,000	38	1,750,421	0.67%
50,001 to 100,000	98	7,034,801	2.71%
100,001 to 200,000	69	9,732,950	3.74%
200,001 to 400,000	32	8,933,301	3.44%
400,001 to 600,000	13	6,283,703	2.42%
600,001 to 800,000	5	3,748,826	1.44%
800,001 to 1,000,000	5	4,459,786	1.72%
Over 1,000,001	39	192,970,576	74.20%
Total	26,575	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 20, 2024

Shares Name of major shareholder	Number of shares held	Percentage of Shareholding
Wan Hai Charitable Foundation	18,150,259	6.98%
Tai Chuan 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.	10,710,088	4.12%
Cheng-Ti Chen	9,011,204	3.47%
Liuhe Investment Co., Ltd.	8,800,000	3.38%
HSBC (Taiwan) Commercial Bank Co., Ltd.	8,748,346	3.36%
Shih-Teng Lin	8,072,437	3.10%
Cheng-Chih Chen	5,947,389	2.29%

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

Item		Year		2022	2023	As of March 31 , 2024
Market price per share ( Note 1)	Highest			65.80	75.00	57.30
	Lowest			47.60	42.45	51.90
	Average			56.49	52.18	54.03
Net value per share ( Note 2)	Before distribution			19.86	16.54	14.90
	After distribution			19.86	16.54	14.90
Earnings per share	Weighted average number of shares			260,039,121	260,039,121	260,039,121
	Earnings per share ( Note 3)			0.81	0.33	(0.05)
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
	Accumulated unpaid dividends ( Note 4)			0.00	0.00	0.00
Return on investment analysis	Price-to-earnings ratio ( Note 5)			69.74	158.12	(1,080.60)
	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 The net value per share and earnings per share should be filled in with the information verified (reviewed) by an accountant as of the date of publication of the annual report; 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		2022	2023
		Degree			
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

If there is a surplus in the annual final accounts, the company shall first pay tax and make up for accumulated losses, and then appropriate 10% as the legal reserve and another 10% for the payment for dividends. The remainder, if any, shall be distributed by resolution of the shareholders' meeting Shareholder bonus

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 as proposed in the current shareholders' meeting on the Company's operating performance and earnings per share :

None

(VIII) Remuneration of employees and directors

1. The percentages or ranges with respect to the remuneration of employees and directors as set forth 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 estimating the amount of remuneration to employees and directors, the basis for calculating the number of shares for the employee compensation distributed in shares, and the accounting treatment if the actual distribution amount differs from the estimated amount in the current period: The Company had accumulated losses in 2023. Employee bonuses are not estimated .

3. Remuneration allocation approved by the Board of Directors: None.

4. The actual distribution of employees' and directors' remuneration in the previous year, if there is any difference from the recognized employees', directors' and supervisors' remuneration, the difference, the reason for and the treatment of the difference should be stated: The Company had accumulated losses in 2023, so it is not applicable.

(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. Outsourcing contractors to build commercial buildings and residential buildings, lease and sale.

##### 5. Hotel rental business.

#### (II) Overview of Industry:

##### 1. Baby Lion:

- (1) Despite the impact of the low birth rate, the Company is rapidly developing potential products such as anti-mosquito and anti-epidemic products, as well as baby bath and skincare products to meet parents' demand for natural, safe, and effective products for infants and young children. In addition, we have also introduced wet wipes for adults and women's intimate cleaning wipes, as well as the 2021 epidemic prevention series (alcohol wipes, alcohol spray, alcohol refill can) 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 the changes in lifestyle and usage habits, the target users of our products have gradually shifted towards the special needs of different groups of people for personal cleaning and household cleaning. The demand for products in the market

continues to grow. Therefore, we continue to introduce differentiated products with better quality, which account for important consumption in the Taiwan and Asian markets.

- (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 market for skincare products is also gradually expanding, and skincare products suitable for different age groups are researched and developed based on the differences in distribution channels and customer groups to facilitate market development and 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, Forest Beauty has 5 mask series, 1 skincare series, 1 make-up remover, and 1 marine-friendly sunscreen series with a total of 30 items; Baby Lion also has 6 wipes, body cleaner, and so on. Baby Lion has 13 products from the maintenance series, 2 products from the anti-mosquito series, 6 products from the daily necessities, and 8 products from the children's tableware set. There are a total of 35 items.

1. In order to develop into an international brand, the Company can successfully export its products, and it is also actively submitting existing products to various countries for product verification. Currently, the Company has passed international tests, and has officially registered or filed for the following products:

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
Pore Minimizing & Oil Control Mask	CPNP Reference	3872511	European Union
Renewing & Oxygen Refreshing Mask	CPNP Reference	3872529	European Union

Product Name	Registration Agency	No.	Country
Edelweiss Long-Lasting Hydrating Mask	CPNP Reference	3872575	European Union
Forest Beauty Swiss Icewine Moisturizing facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019003324	China
Forest Beauty Swiss Icewine Firming and Repairing facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019003325	China
Forest Beauty Royal Jelly Firm and Elastic facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004809	China
Forest Beauty Royal Jelly Anti-Wrinkle facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2019004810	China
Forest Beauty Elastic and Moisturizing Bio-Fiber facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020001110	China
Forest Beauty Elderberry Renewing and Repairing facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020001997	China
Forest Beauty Edelweiss Intensive Moisturizing facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020002002	China
Forest Beauty Double Elastic Firming Bio-Fiber facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020002004	China
Forest Beauty Vitamin B Relieving and Repairing Lotion	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004614	China
Forest Beauty Vitamin B Relieving Cream	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004619	China
Forest Beauty Vitamin B Relieving Essence	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004620	China
Forest Beauty Red Pomegranate Polyphenols Time-Freezing facial mask	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004621	China
Forest Beauty Vitamin B Relieving Toning Lotion	Registration Project Guo-Zhuang-Wang-Bei-Jin (Hu) No.	2020004624	China
Forest Beauty Vitamin B Relieving Brightening Essence	Guo-Zhuang-Te-Jin	J20210241	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
Micro-gold Superconducting Peptide Elastic Eye Mask			Singapore
Micro-gold Superconducting Brightening Eye Mask			Singapore



Product Name	Registration Agency	No.	Country
Red Pomegranate Polyphenols Freezing Mask			Singapore
Edelweiss Long-Lasting Hydrating Mask			Singapore
Elderflower Renewal Repair Mask			Singapore
Black Diamond Truffle Hydrating Radiance Mask			Singapore
Baccarat Black Rose Anti-Aging Mask			Singapore
Royal Neroli Essential Oil Stress Relieving and Moisturizing Mask			Singapore
King of Essential Oils Boswellia Anti-aging Mask			Singapore
Pomegranate Anti-Ageing Mask			Myanmar
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	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 Days Renewal Essence	Skin test: 24 subjects used continuously for 48 hours, 14-day renew relieving cream is considered non-irritating		
Forest Beauty	Centella asiatica Sheer Sun Removal Cream SPF30 PA++	UVAPF test result is 5.2 , which can be labeled as PA++ .		
Forest Beauty	Centella asiatica water-based high-efficiency curd sunscreen SPF50+ PA++++	The test result of PFA is 26.23 , which can be labeled as PA++++		
Baby Lion	Antibacterial fragrance mask	Antibacterial test		
		Strain of bacteria	Antibacterial activity 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 results were rated at 50+ The Boots Star Ratingééé		
Baby Lion	Pink Bubble Antiseptic Hand Mousse	Antibacterial Test		
		Strain of bacteria	5min	60min
		Escherichia coli	5.50%	22.80%
		Klebsiella pneumoniae	22.50%	73.20%
		Staphylococcus aureus	<1%	65.80%
		Pseudomonas aeruginosa	<1%	44.30%
Forest Beauty	White Peony Purifying Acne Mask	Antibacterial test against P. pneumoniae, 60 minutes , anti-bacterial power of 95.4%		

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.

The obtained marks and products are listed as follows:

Label	Product	Certification entity
	Black Diamond Truffle Hydrating Radiance Mask	The Vegetarian Society of the United Kingdom Limited
	Baccarat Black Rose Anti-Aging Mask	
	Calendula Centella Asiatica Soothing Biofiber Mask	
	Centella Asiatica Soothing Mask	
	Edelweiss Long-Lasting Hydrating Mask	
	Elderflower Renewal Repair Mask	
	Horse Chestnut Soothing Mask	
	Hyaluronic Acid Hydrating Bio-Fiber Mask	
	Orchid Peptide Anti-Aging Bio-Fiber Mask	
	Red Pomegranate Polyphenols Freezing Mask	
	Micromolecular Shea Butter Moisturizing Mask	
	Pore tightening extreme enzyme oil control facial mask	
	Oxygen purifying extreme enzyme repairing facial mask	
		

#### 4. Estimated research funds

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
New product development and testing of Baby Lion and Forest Beauty	The planning of related products of the two brands includes various product proofing and testing, as well as related tests on product properties, chemistry, efficacy and other related tests.	NTD 424 thousand
Review and registration of exported products	Application for cosmetic product registration and foreign trade mark application in China, Europe, America and Southeast Asia	NTD 256 thousand

(IV) Long-term 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. Grasp the market dynamics and develop differentiated and customized products in order to facilitate the development and successful launch of new products.
- B. Work closely with academic and R&D units, actually participate in the R&D of new product-related units of the government, expand the range of new products developed, 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 Shilin 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 construction permit was obtained for the urban renewal development of Warehouse No. 5, and the construction started in Q4 of 2021 (a hotel building with 12 levels above ground and 3 levels 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 is facing an intensified decline in children, the changing concept of raising children has increased consumption potential year by year. Young families are paying increasing attention to the quality of maternal and infant products and their service experience, and parenting methods and product consumption have become more refined. In addition to pursuing products that are natural, safe, and high-quality, our brand influence is also an important factor for parents in the purchase process. 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. At the same time, we are actively developing new protective series and daily necessities, such as antibacterial fragrance mask patches, children's antibacterial hand-washing mousse, and 100% cotton gauze wipes, which are in line with the convenience and safety of modern parenting.

B. Performance of distribution channels

Alcohol protection products are mainly sold on online shopping platforms, maternity and baby stores, and major pharmacies, and have performed well. 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 market has grown steadily, with an annual growth rate of 9.5% from 2017 to 2022. In 2022, the global facial mask market has reached about US\$10 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. In the first half of 2023, the Company launched a series of facial mask and skin care products from Mori Guo tea leaves, featuring elements of Taiwanese tea leaves, rich in polyphenols and catechins, adding a new trend in skin care. The mask was recommended by the media immediately after its launch. - 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. The physical stores are currently dominated by chained cosmetics stores. They take advantage of the festival boom and plan activities at different times with the channels to attract consumers and increase 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 16 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. "Pearl flower Alishan gyokuro anti-aging facial 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. In 2024, the tea facial mask and skin care series will be introduced to the overseas sales of "elite Life Nihonbashi" in Tokyo, Japan.

## 2. Market analysis:

- (1) The sales areas of the Company's main products are currently mainly in the domestic market, divided into three areas: Northern (Taoyuan, Hsinchu, New Taipei, and Taipei Cities), central, and southern Taiwan. Currently, the Company is actively developing the domestic e-commerce market and steadily developing domestic physical channels.
- (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. To increase market share, strengthen online and offline promotions, increase brand awareness and goodwill, and increase sales and product profits.
- 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:

Raw material non-woven fabric -> pleating and lamination -> flattening -> alcohol mixture -> flattening and cutting -> bagging and automatic 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:

Raw material mask fabric -> folding, bagging -> sterilization -> making and filling -> sealing -> appearance quality inspection & lining material quality inspection -> put into boxes and shrink sealed -> carton -> send to 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 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 ( dishes, vegetable and fruit cleaners )	Bottles, water, surfactants, natural moisturizers, natural germicides, and essence oils	The supply of goods is stable.
Cleaning products ( universal cleaning fluid )	Bottles, water, surfactants, artificial flavors, and antibacterial agents	The supply of goods is stable.
Skincare products	Containers, glycerol, organic olive oil, shea butter, vitamin B5 & E , emulsifier, essence, preservative	The supply of goods is stable.
Anti-mosquito products	Containers, aluminum pouches with chains, non-woven stickers, ABS accessory clips, 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, hydroneedle non-woven fabric, ultra-pure water, alcohol, bacteriostat	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 account for more than 10% of total purchases: (Unit: thousands; %)

## Information on major suppliers in the last two years

Unit: NTD thousand; %

Year	2022				2023				as of March 31, 2024			
Item	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	As a percentage of net purchases of the current year up to the previous quarter (%)	Relationship with the issuer
1	Nan Liu Enterprise Co., Ltd.	38,838	61.95%	None	Nan Liu Enterprise Co., Ltd.	32,988	55.25%	None	Nan Liu Enterprise Co., Ltd.	1,315	24.56%	None
2	Stellar Beauty Biotech Co. Ltd.	12,125	19.34%	None	Stellar Beauty Biotech Co. Ltd.	15,255	25.55%	None	Stellar Beauty Biotech Co. Ltd.	1,703	31.81%	None
3	Others	11,733	18.71%	None	Others	11,463	19.20%	None	Others	2,336	43.63%	None
	Net purchases	62,696	100.00%		Net purchases	59,706	100.00%		Net purchases	5,354	100.00%	

2. Customers who accounted for more than 10% of total sales: (Unit: thousands; %)

## Information on major sales customers in the last two years

Unit: NTD thousand; %

Year	2022				2023				as of March 31, 2024			
Item	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	As a percentage of net sales as of the previous quarter of the current year (%)	Relationship with the issuer
1	Customer A	17,933	10.86%	None	Customer A	17,966	10.50%	None	Customer A	4,623	11.11%	None
2	Others	147,125	89.14%	None	Others	153,139	89.50%	None	Customer D	4,474	10.75%	None
3									Others	32,510	78.14%	
	Net sales	165,058	100.00%		Net sales	171,105	100.00%		Net sales	41,607	100.00%	

(V) Production volume and value in the most recent two years :

None.

(VI) Sales volume and value in the most recent two years :

## Sales Volume in the Last Two Years

Unit: box; NTD thousand

Year Sales volume and value major products ( or by department )	2022				2023			
	Domestic sales		Export sales		Domestic sales		Export sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Construction revenue	0	0	0	0	0	0	0	0
Rental income	0	69,225	0	0	0	75,450	0	0
Revenue from guest rooms	0	17,720	0	0	0	31,602	0	0
Wet wipes	108,530	45,347	0	0	87,779	38,246	0	0
Others	0	30,801	0	1,965	0	25,324	0	483
Total	108,530	163,093	0	1,965	87,779	170,622	0	483

### 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	2022	2023	As of April 20, 2024
Number of employees	62	61	50
Average age	39.76	40.52	40.38
Average years of service	5.43	6.19	6.1
Distribution of education (%)	Doctoral degree	1.61%	1.75%
	Master's degree	17.74%	12.28%
	Junior college	69.36%	77.20%
	Senior high school	9.68%	7.02%
	Below senior high school	1.61%	1.75%

### IV. Information on Environmental Protection Expenditure

Losses incurred due to environmental pollution in the last year and as of the publication date of the annual report: 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 welfare measures include gifts for Labor Day, employee pensions, annual health checkup, gifts on birthdays, and free application for parking spaces.
- (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. Retirement system

The Company has processed all employees' participation in the new labor retirement system or the consultation on their intention to participate in the old labor system, processed employees' seniority in the old system, declared under the new system, and contributed pensions. 6% of the salary. 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 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, in order to maintain harmonious labor relations, and no labor disputes have resulted in losses .

## (III) Employee Code of Conduct and Ethics

The Company attaches great importance to the work attitude and ethics of its employees. In addition to its general rules and regulations, work attitude and ethics are included in the performance evaluation indicators of all employees .

#### 1. Work Attitude and General Rules of 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 employee safety protection measures

1. In view of the importance of the work environment and employee personal safety protection measures, Using goals and plan management, and making improvements based on the results of statistical analysis, maintaining the workplace environment and safety, and reducing employee occupational hazards are our long-term goals and beliefs. Therefore, the Company's management measures and control plans are as follows:

- (1) Employee education and training regulations: In accordance with current laws and regulations
- (2) Smoking management measures: In accordance with the rules announced
- (3) Relevant regulations on wearing helmets: In accordance with current regulations
- (4) Safety control of electricity consumption: In accordance with current regulations
- (5) Vehicle speed limit and access control: Execute in accordance with the announcement
- (6) Regulations on relocation of guards by assisting personnel: Execute in accordance with the announcement
- (7) Betel nut ban in factory areas: Execute in accordance with the announcement
- (8) It is strictly prohibited to place food in the workplace. Meals must be served in designated places: Execute in accordance with the announcement
- (9) Recycling of resources: Execute in accordance with the announcement
- (10) Removal of cats and dogs: Execute in accordance with the announcement

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 changes in laws and regulations, the safety and health work rules are regularly revised, and the safe operation standards of plant equipment are compiled for employees to follow .
- B. Conduct employee education and training in accordance with laws and regulations, and obtain relevant certificates.
- C. According to the provisions of the Fire Protection Act, the Company has set up a

comprehensive fire safety system, and regularly reported the inspection of fire equipment .

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

Cases of major disasters and work-related injuries in Taiwan are collected from time to time, and publications, posters, or emails are made to remind and educate all employees to be prepared for disasters while providing the latest information. The maintenance of the environment and occupational safety is the responsibility and work of each employee. It depends on the joint efforts of all employees to maintain, cherish, and jointly create a safe, clean, clean, and disaster-free working environment.

## **VI. Signing of collective agreements**

Although the Company has established a trade union, the trade union has never requested the Company to negotiate a group agreement.

Therefore, no collective agreement was signed.

## **VII. 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 mechanism , application technology and data security standards have also be established For important systems of the Company, 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 2023, the "Information Security Committee" was established to be responsible for implementing the information operation security management plan, establishing and maintaining an information security management system, and coordinating the formulation, execution, risk management and compliance verification of information security and protection related policies. An information security officer and information security specialist were added. The Company also applied to become a member of the "Taiwan CERT/CSIRT Alliance". Through network security intelligence sharing, computer network security protection and crisis management, and information security protection capacity are enhanced.
- (VII) In 2023, all new employees of the Company have completed information security training courses; all employees have completed two online information security training courses. Strengthen the security of employee system accounts, and add mechanisms to control the complexity of passwords and change them on a regular basis.
- (VIII) In 2023, the hardware replacement and upgrade of the company's e-mail mainframe was completed to comply with the new version of the transmission security protocol tls1.2. We also continue to use the anti-virus software ESET, which is centrally managed through the ESET WEB CONSOLE platform to ensure that employees' computers are continuously updated with virus patterns, improve the protection of computer file systems, reduce external attacks, hacker intrusions, reduce the risk of phishing, and increase the number of emails Trojans to enhance network security.
- (IX) In 2023 and as of the publication date of the annual report, there have been no information security incidents that caused significant adverse effects to the Company and its subsidiaries.

## **VIII. Important Contracts**

None

## Six. Financial overview

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

#### (I) Condensed Consolidated Balance Sheet

Unit: NTD thousand

Item	Year	Financial Data in the Last Five Years					Financial information for the current year as of March 31, 2024 (Note 1)
		2019	2020	2021	2022	2023	
Current assets		856,266	1,792,229	6,712,149	3,338,717	2,446,042	2,036,883
Property, Plant and Equipment		1,067,932	1,311,043	1,308,210	1,635,475	1,717,729	1,792,495
Intangible asset		9,853	9,483	8,195	6,866	5,292	4,898
Other assets		4,653,212	4,409,238	4,405,917	4,317,230	4,540,061	4,547,881
Total assets		6,587,263	7,521,993	12,434,471	9,298,288	8,709,124	8,382,157
Current liabilities	Before distribution	2,455,810	2,496,314	2,370,771	2,422,469	2,510,685	2,551,829
	After distribution	2,455,810	2,496,314	2,370,771	2,422,469	2,510,685	2,551,829
Non-current liabilities		1,611,546	1,612,994	1,606,583	1,711,645	1,896,974	1,954,446
Total liabilities	Before distribution	4,067,356	4,109,308	3,977,354	4,134,114	4,407,659	4,506,275
	After distribution	4,067,356	4,109,308	3,977,354	4,134,114	4,407,659	4,506,275
Equity attributable to owners of parent		2,519,907	3,412,685	8,457,117	5,164,174	4,301,465	3,875,882
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	(109,214)	(244,983)	(160,590)	51,493	137,783	124,319
	After distribution	(109,214)	(244,983)	(160,590)	51,493	137,783	124,319
Other equity interest		28,730	1,057,277	6,017,316	2,512,290	1,563,291	1,151,172
Treasury stock		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before distribution	2,519,907	3,412,685	8,457,117	5,164,174	4,301,465	3,875,882
	After distribution	2,519,907	3,412,685	8,457,117	5,164,174	4,301,465	3,875,882

Note 1 Audited by the CPA in Q1, 2024 .

## (II) Condensed consolidated statement of comprehensive income

Unit: NTD thousand

Year Items	Financial Data in the Last Five Years					Financial information for the current year as of March 31 , 2024 (Note 1)
	2019	2020	2021	2022	2023	
Operating revenue	169,454	159,473	326,024	165,058	171,105	41,607
Gross operating profit	52,232	53,508	176,501	76,145	84,954	25,488
Operating gains ( loss )	(184,403)	(152,414)	(26,559)	(103,224)	(64,656)	(8,468)
Non-operating income ( expense )	4,869	16,729	115,178	315,004	151,008	(4,996)
Net profit (loss) before tax	(179,534)	(135,685)	88,619	211,780	86,352	(13,464)
Income tax expense	-	-	4,370	-	-	-
Net loss for the period from continuing operations	(179,534)	(135,685)	84,249	211,780	86,352	(13,464)
Loss on discontinued operations	-	-	-	-	-	-
Net profit (loss) for the period	(179,534)	(135,685)	84,249	211,780	86,352	(13,464)
Other comprehensive income ( loss ) in the current period (net amount after tax)	78,854	1,028,463	4,960,183	(3,504,723)	(949,061)	(412,119)
Total comprehensive income (loss)	(100,680)	892,778	5,044,432	(3,292,943)	(862,709)	(425,583)
Net profit (loss) attributable to owners of the parent company	(179,534)	(135,685)	84,249	211,780	86,352	(13,464)
Net loss attributable to non-controlling interests	-	-	-	-	-	-
Comprehensive income (loss) attributable to owners of the parent company	(100,680)	892,778	5,044,432	(3,292,943)	(862,709)	(425,583)
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	-	-
Earnings per share	(0.69)	(0.52)	0.32	0.81	0.33	(0.05)

Note 1 Audited by the CPAs in Q1, 2024.

## (III) Condensed parent company only balance sheet

Unit: NTD thousand

Year		Financial Data in the Last Five Years				
		2019	2020	2021	2022	2023
Current assets		654,489	1,676,137	6,627,940	3,178,301	2,383,060
Property, Plant and Equipment		35,356	34,379	36,249	35,351	10,285
Intangible asset		8,656	8,398	7,196	5,952	4,462
Other assets		2,957,101	2,827,848	2,839,961	2,930,690	2,882,203
Total assets		3,655,602	4,546,762	9,511,346	6,150,294	5,280,010
Current liabilities	Before distribution	1,095,874	1,093,689	1,013,841	945,337	937,762
	After distribution	1,095,874	1,093,689	1,013,841	945,337	937,762
Non-current liabilities		39,821	40,388	40,388	40,783	40,783
Total liabilities	Before distribution	1,135,695	1,134,077	1,054,229	986,120	978,545
	After distribution	1,135,695	1,134,077	1,054,229	986,120	978,545
Equity attributable to owners of parent		2,519,907	3,412,685	8,457,117	5,164,174	4,301,465
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	(109,214)	(244,983)	(160,590)	51,493	137,783
	After distribution	(109,214)	(244,983)	(160,590)	51,493	137,783
Other equity interest		28,730	1,057,277	6,017,316	2,512,290	1,563,291
Treasury stock		0	0	0	0	0
Non-controlling interests		0	0	0	0	0
Total Equity	Before distribution	2,519,907	3,412,685	8,457,117	5,164,174	4,301,465
	After distribution	2,519,907	3,412,685	8,457,117	5,164,174	4,301,465

## (IV) Condensed parent company only statement of comprehensive income

Unit: NTD thousand

Item \ Year	Financial Data in the Last Five Years				
	2019	2020	2021	2022	2023
Operating revenue	106,435	112,020	120,357	132,098	128,649
Gross operating profit	49,170	44,533	46,200	62,250	58,831
Operating losses	(35,254)	(41,588)	(54,722)	(15,737)	(19,393)
Non-operating income (expense)	(144,280)	(94,097)	138,971	227,517	105,745
Net loss before tax	(179,534)	(135,685)	84,249	211,780	86,352
Net loss for the period from continuing operations	(179,534)	(135,685)	84,249	211,780	86,352
Net profit (loss) for the period	(179,534)	(135,685)	84,249	211,780	86,352
Other comprehensive income ( loss ) in the current period (net amount after tax)	78,854	1,028,463	4,960,183	(3,504,723)	(949,061)
Total comprehensive income (loss)	(100,680)	892,778	5,044,432	(3,292,943)	(862,709)
Earnings per share	(0.69)	(0.52)	0.32	0.81	0.33

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

Year	Name of Attesting CPAs	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
2023	Yu-Ling Hung and Min-Chih Cho	Unqualified opinion

## II. Financial Analysis in the Last Five Years

### (I) Consolidated Financial Statements

Analysis Items		Financial Analysis in the Last Five Years					As of March 31 , 2024 ( Note 1 )
		2019	2020	2021	2022	2023	
Financial structure (%)	Debt ratio	61.75	54.63	31.99	44.46	50.61	53.76
	Ratio of long-term funds to property, plant and equipment	386.86	383.33	769.27	420.42	360.85	325.26
Solvency %	Current ratio (Note 3)	34.87	71.80	283.12	137.82	97.43	79.82
	Quick ratio (Note 3)	30.93	67.94	281.40	135.93	95.10	77.41
	Interest coverage ratio (Note 4)	(5.87)	(4.30)	4.90	8.61	3.10	(0.28)
Operating performance	Accounts receivable turnover rate ( times )	3.96	3.22	6.53	3.19	3.23	3.16
	Average collection days	92.17	113.34	55.89	114.42	113.00	115.51
	Inventory turnover (times)	0.77	0.88	2.31	3.51	3.53	2.25
	Payables turnover (times)	11.17	10.58	17.00	8.38	8.71	9.89
	Average turnover days	474.03	414.77	158.01	103.98	103.39	162.22
	Property, plant and equipment turnover ( times )	0.03	0.03	0.06	0.03	0.03	0.03
	Total asset turnover rate ( times )	0.03	0.02	0.03	0.02	0.02	0.02
Profitability	Return on assets (%) ( Note 4 )	(2.35)	(1.56)	1.07	2.20	1.42	(0.14)
	Return on equity (%) ( Note 4 )	(6.99)	(4.57)	1.42	3.11	1.82	(1.32)
	Pre-tax profit as a percentage of paid-in capital (%) (Note 4)	(6.90)	(5.22)	3.41	8.14	3.32	(0.52)
	Net profit margin (%) ( Note 4 )	(105.95)	(85.08)	25.84	128.31	50.47	(32.36)
	Earnings per share (NTD) (Note 4)	(0.69)	(0.52)	0.32	0.81	0.33	(0.05)
Cash flow	Cash flow ratio (%) ( Note 4 )	0.00	0.00	7.47	11.41	5.45	0.00
	Cash flow adequacy ratio (%) ( Note 5 )	0.00	0.00	348.30	201.71	121.63	103.10
	Cash reinvestment ratio (%) ( Note 4 )	0.00	0.00	1.67	3.72	2.00	0.00
Leverage	Operating leverage (Note 6)	(0.20)	(0.26)	(5.76)	(0.63)	(1.17)	(2.58)
	Financial leverage (Note 6)	0.88	0.86	0.54	0.79	0.61	0.45

Note 1 Audited by the CPA in Q1, 2024 .

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 Current ratio and quick ratio decreased : mainly due to the decrease in the holding of stocks.

Note 4 The decrease in times interest earned, return on assets, return on equity, earnings before tax to paid-in capital, net profit margin, earnings per share, cash flow ratio, and cash reinvestment ratio : mainly due to the decrease in cash dividends received during the period .

Note 5 Decrease in cash flow adequacy ratio : Mainly due to the increase in capital expenditures during the period.

Note 6 Decrease in operating leverage and increase in financial leverage : Mainly due to operating losses.

## **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 protection multiples = net income before income tax and interest expenses/current interest expenses.

## **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) Real estate, plant and equipment turnover = net sales/net average real estate, plant and equipment.
- (7) Total asset 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 = after-tax profit/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 for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 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 expenses).

## (II) Parent Company Only Financial Statements

Analysis Items		Year					As of March 31 , 2024
		2019	2020	2021	2022	2023	
Financial structure %	Debt ratio	31.07	24.94	11.08	16.03	18.53	
	Long-term capital to property, plant and equipment ( Note 2)	7,239.87	10,044.13	23,442.04	14,723.65	42,219.23	
Solvency %	Current ratio ( Note 3)	59.72	153.26	653.75	336.21	254.12	
	Quick ratio ( Note 3)	58.47	151.84	653.44	335.66	253.84	
	Interest coverage ratio ( Note 4)	(14.61)	(10.58)	9.42	20.52	6.35	
Operating performance	Accounts receivable turnover rate ( times )	2.02	2.54	2.57	2.55	2.38	
	Average collection days	180.69	143.75	142.10	143.09	153.65	
	Inventory turnover (times)	2.67	5.08	9.36	75.76	75.18	
	Payables turnover (times)	8.38	9.22	8.71	6.65	6.09	
	Average turnover days	136.70	71.85	39.00	4.82	4.86	
	Property, plant and equipment turnover ( times )	0.63	0.69	0.77	0.86	0.86	
	Total asset turnover rate ( times )	0.03	0.03	0.02	0.02	0.02	
Profitability	Return on assets (%) ( Note 4)	(4.58)	(3.02)	1.34	2.84	1.79	
	Return on equity (%) ( Note 4)	(6.99)	(4.57)	1.42	3.11	1.82	
	EBT to paid-in capital ratio (%) ( Note 4)	(6.90)	(5.22)	3.24	8.14	3.32	
	Net profit margin (%) ( Note 4)	(168.68)	(121.13)	70.00	160.32	67.12	
	Earnings per share (NTD) ( Note 4)	(0.69)	(0.52)	0.32	0.81	0.33	
Cash flow	Cash flow ratio (%) ( Note 4)	3.71	0.25	9.66	34.62	16.77	
	Cash flow adequacy ratio (%) ( Note 5)	213.14	82.09	388.13	1,741.63	4,000.30	
	Cash reinvestment ratio (%) ( Note 4)	1.57	0.07	1.10	5.80	3.28	
Leverage	Operating leverage ( Note 6)	(0.95)	(0.82)	(0.73)	(3.93)	(3.05)	
	Financial leverage	0.75	0.78	0.85	0.59	0.55	

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 long-term capital to property, plant and equipment ratio: due to the transfer of property, plant and equipment to investment property.

Note 3 Current ratio and quick ratio decreased : mainly due to the decrease in the holding of stocks.

Note 4 Decreases in times interest earned, return on assets, return on equity, net income before tax to paid-in capital, net profit margin, earnings per share (NTD), cash flow ratio, and cash reinvestment ratio: mainly due to the decrease in dividend income received To the Company.

Note 5 The increase in cash flow adequacy ratio: It is mainly due to the increase in cash inflow from operating activities in the past five years.

Note 6 Decrease in operating leverage : mainly due to the increase in operating loss in 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 protection multiples = net income before income tax and interest expenses/current interest expenses.

## 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) Real estate, plant and equipment turnover = net sales/net average real estate, plant and equipment.
- (7) Total asset 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 = after-tax profit/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 for the previous 5 years / (capital expenditure + increase in inventory + cash dividends) for the previous 5 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 expenses).

### III. Audit Committee's Review Report

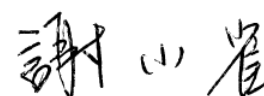
#### Audit Committee's Review Report

The Board of Directors submitted the Company's 2023 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.

To

2024 General Shareholders' Meeting of Shihlin Paper Co., Ltd.

Convener of the Audit Committee : Hsiao-Chueh Hsieh



March 13 , 2024

## **IV. 2023 consolidated financial statements**

### **Independent Auditors' Report**

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

#### **Opinion**

We have audited the consolidated financial statements of Shihlin Paper Co., Ltd. and its subsidiaries (“the Group”), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and 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, 2023. 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, 2023, the property, plant, and equipment of Shihlin Paper Group was NT\$1,717,729 thousand and the investment property was NT\$4,479,348 thousand. Assess whether or not there are any signs that tangible assets may have been impaired. 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\$6,197,077 thousand (71.15% 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, 2023 and 2022, 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 these financial statements, they are considered material.

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

1. Identify and assess the risks of material misstatement of the 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 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 consolidated financial statements for the year ended December 31, 2023 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, 2024

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 Sheet

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Asset			December 31, 2023		December 31, 2022		LIABILITIES AND EQUITY			December 31, 2023		December 31, 2022			
Code	Accounting Items	Note	Amount	%	Amount	%	Code	Accounting Items	Note	Amount	%	Amount	%		
Current assets									Current liabilities						
1100	Cash and cash equivalents	(IV) and (VI)	\$ 186,724	2.14	\$ 175,393	1.88	2100	Short-term borrowings	(VI)	\$ 2,255,000	25.89	\$ 2,339,000	25.15		
1110	Financial Assets at FVTPL	(IV) and (VI)	1,053	0.01	786	0.01	2110	Short-term bills payable	(VI)	117,994	1.36	—	—		
1120	Financial Assets at FVTOCI	(IV) and (VI)	2,109,953	24.23	3,058,871	32.90	2130	Contract liability	(IV) and (VII)	41,028	0.47	36,748	0.40		
1136	Financial assets at amortized cost	(IV) and (VI)	35,478	0.41	—	—	2170	Accounts payable		8,999	0.10	10,784	0.12		
1150	Note receivable	(IV) and (VI)	273	0.00	336	0.00	2200	Other payables	(VII)	86,747	1.00	35,455	0.38		
1170	Net accounts receivable	(IV), (VI), and (VII)	52,662	0.61	52,695	0.57	2300	Other current liabilities		917	0.01	482	0.00		
1200	Other receivables	(IV)	1,293	0.02	4,591	0.05	21XX	Total current liabilities		2,510,685	28.83	2,422,469	26.05		
1300	Net balance of inventory	(IV) and (VI)	15,858	0.18	13,707	0.15	Non-current liabilities								
1410	Prepayments	(VI) and (VII)	42,505	0.49	32,212	0.35	2540	Long-term borrowings	(VI)	291,350	3.35	105,607	1.14		
1470	Other current assets	(VI)	243	0.00	126	0.00	2570	Deferred tax liabilities		1,592,156	18.28	1,592,156	17.12		
11XX	Total current assets		2,446,042	28.09	3,338,717	35.91	2645	Guarantee deposits received		13,468	0.15	13,882	0.15		
Non-current assets									25XX	Total non-current liabilities		1,896,974	21.78	1,711,645	18.41
1517	Financial Assets at FVTOCI	(IV) and (VI)	7,360	0.08	7,441	0.08	2XXX	Total liabilities		4,407,659	50.61	4,134,114	44.46		
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	1,717,729	19.72	1,635,475	17.59	31XX	Equity attributable to owners of parent							
1760	Investment Property	(IV), (VI), and (VIII)	4,479,348	51.43	4,260,464	45.82	3100	Share capital	(VI)						
1780	Intangible asset	(IV) and (VI)	5,292	0.06	6,866	0.07	3110	Share capital of ordinary shares		2,600,391	29.86	2,600,391	27.97		
1920	Refundable deposits	(VII)	703	0.01	1,082	0.01		Retained earnings	(VI)						
1975	Net defined benefit assets	(IV) and (VI)	767	0.01	783	0.01	3320	Special reserve		1,532,258	17.59	1,532,258	16.48		
1900	Other non-current assets	(VI)	51,883	0.60	47,460	0.51	3350	Deficit to be offset		(1,394,475)	(16.01)	(1,480,765)	(15.93)		
15XX	Total non-current assets		6,263,082	71.91	5,959,571	64.09	3300	Total retained earnings		137,783	1.58	51,493	0.55		
									3400	Other equity interest		1,563,291	17.95	2,512,290	27.02
									3XXX	Total equity		4,301,465	49.39	5,164,174	55.54
Total assets			\$ 8,709,124	100.00	\$ 9,298,288	100.00	Total liabilities and equity			\$ 8,709,124	100.00	\$ 9,298,288	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, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 171,105	100.00	\$ 165,058	100.00
5000	Operating costs	(VI) and (VII)	86,151	50.35	88,913	53.87
5900	Gross operating profit		84,954	49.65	76,145	46.13
	Operating expenses					
6100	Selling expenses	(VII)	59,377	34.70	60,196	36.47
6200	Administrative expenses	(VII)	85,893	50.20	114,644	69.46
6300	R&D expenses	(VII)	4,340	2.53	4,529	2.74
6000	Total operating expenses		149,610	87.43	179,369	108.67
6900	Operating losses		(64,656)	(37.78)	(103,224)	(62.54)
	Non-operating revenue and expense					
7010	Other income	(VI)	193,630	113.16	352,545	213.59
7020	Other gains and losses	(VI)	(1,529)	(0.89)	(9,722)	(5.89)
7050	Financial costs	(VI)	(41,093)	(24.02)	(27,819)	(16.85)
7000	Total non-operating revenue and expenses		151,008	88.25	315,004	190.85
7900	Net income before tax		86,352	50.47	211,780	128.31
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net income for the current period		86,352	50.47	211,780	128.31
	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)	(62)	(0.04)	303	0.18
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	(948,999)	(554.63)	(3,505,026)	(2,123.51)
8300	Total other comprehensive income (net of tax) for the current period		(949,061)	(554.67)	(3,504,723)	(2,123.33)
8500	Total comprehensive income (loss) for the current period for the current period		\$ (862,709)	(504.20)	\$ (3,292,943)	(1,995.02)
8600	Net profit (loss) attributable to					
8610	Owners of the parent company		\$ 86,352	50.47	\$ 211,780	128.31
8620	Non-controlling interests		-	-	-	-
	Total comprehensive income attributable to		\$ 86,352	50.47	\$ 211,780	128.31
8700	to					
8710	Owners of the parent company		\$ (862,709)	(504.20)	\$ (3,292,943)	(1,995.02)
8720	Non-controlling interests		-	-	-	-
	Total comprehensive income attributable to		\$ (862,709)	(504.20)	\$ (3,292,943)	(1,995.02)
	Earnings per Share					
9750	Basic earnings per share	(VI)	\$ 0.33		\$ 0.81	

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, 2023 and 2022  
(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, 2022	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
Net profit for 2023	-	-	-	86,352	86,352	-	86,352
Other comprehensive income for 2023	-	-	-	(62)	(62)	(948,999)	(949,061)
Total comprehensive income for 2023	-	-	-	86,290	86,290	(948,999)	(862,709)
Balance as of December 31, 2023	<u>260,039</u>	<u>\$ 2,600,391</u>	<u>\$ 1,532,258</u>	<u>\$ (1,394,475)</u>	<u>\$ 137,783</u>	<u>\$ 1,563,291</u>	<u>\$ 4,301,465</u>

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, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Net income before tax for the current period	\$ 86,352	\$ 211,780
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	12,967	13,314
Amortization expense	1,574	1,544
Net gain on financial assets at FVTPL	(257)	(11)
Interest expense	41,093	27,819
Interest income	(1,956)	(146)
Dividend income	(190,282)	(347,383)
Net loss on disposal of property, plant and equipment	-	330
Loss from disposal of investment property	160	9,564
Changes in operating assets and liabilities:		
Decrease in notes receivable	63	156
Decrease (increase) in accounts receivable	33	(2,782)
Increase (decrease) in other receivables	3,298	(3,570)
Decrease (increase) in inventories	(2,151)	4,951
Increase in prepayments	(10,293)	(9,974)
Increase in other current assets	(117)	(27)
Increase in net defined benefit assets	(46)	(38)
Increase in contract liability	4,280	28,990
Increase (decrease) in accounts payable	(1,785)	357
Increase (decrease) in other payables	1,262	(5,853)
Increase (decrease) in other current liabilities	435	(48)
Cash outflow generated from operations	(55,370)	(71,027)
Interest received	1,956	146
Dividends received	190,282	347,383
Net cash inflow from operating activities	136,868	276,502

(Continued on the next page)

Shihlin Paper Co., Ltd. and its Subsidiaries  
Consolidated Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2023	2022
Cash flows from investing activities:		
Acquisition of Financial Assets at FVTOCI	\$ -	\$ (602)
Decrease (Increase) in financial assets at amortized cost	(35,478)	4,322
Acquisition of financial Assets at FVTPL	(53,000)	-
Proposal of financial assets at FVTPL	52,990	10,509
Acquisition of Property, Plant and Equipment	(261,443)	(162,681)
Acquisition of investment property	(2,582)	(26,236)
Acquisition of intangible assets	-	(215)
Decrease (increase) in refundable deposits	379	(475)
Increase in other non-current assets	(4,423)	(47,460)
Net cash used in investing activities	(303,557)	(222,838)
Cash flows from financing activities:		
Short-term borrowings	10,270,500	11,603,000
Repayment of short-term loans	(10,354,500)	(10,820,000)
Borrowing of short-term bills payable	1,018,000	1,482,500
Repayment of short-term bills payable	(900,000)	(2,261,000)
Borrowing of long-term loans	185,743	105,287
Decrease in guarantee deposits received	(414)	(225)
Interest paid	(41,309)	(26,335)
Net cash inflow from financing activities	178,020	83,227
Increase in cash and cash equivalents for the current period	11,331	136,891
Cash and cash equivalents at the beginning of the year	175,393	38,502
Cash and cash equivalents at year-end	\$ 186,724	\$ 175,393

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

Shihlin Paper Co., Ltd. and its Subsidiaries

Notes to consolidated financial statements

For the Years Ended December 31, 2023 and 2022

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

(I) Organization and Operations

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

The 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, 2024.

(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 2024 and endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	<u>Effective Date Issued by IASB</u>
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024
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
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024

As of the date of adopting the consolidated financial statements, as evaluated by the Group the standards and interpretations above will not have significant effect on the Group's financial position and financial performance.

## 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
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 21 "Lack of Exchangeability"	January 1, 2025

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	Main Business	Location of company	% of Ownership	
			December 31, 2023	December 31, 2022
Sunshine Shihlin Development Co., Ltd.	Investment and development	Taipei City	100%	100%
Shihlin Environment Corporation	Investment and development	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 and reconstruction	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.

#### 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 losses 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 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, 2023	December 31, 2022
Cash on hand	\$ 300	\$ 282
Check and demand (current) deposit	63,219	170,717
Cash equivalents (bank time deposits with original maturity of less than 3 months)	123,205	4,394
Total	\$ 186,724	\$ 175,393

As of December 31, 2023, bank time deposits with an original contract period of more than 3 months are for NT\$35,478 thousand and classified as financial assets at amortized cost.

2. Financial Assets at FVTPL

<u>Financial Assets Mandatorily at FVTPL</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Fuh Hwa Money Market	<u>\$ 1,053</u>	<u>\$ 786</u>

3. Financial Assets at FVTOCI

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 2,109,953	\$ 3,058,871
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	<u>7,360</u>	<u>7,441</u>
Total	<u>\$ 2,117,313</u>	<u>\$ 3,066,312</u>

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

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Time deposit	<u>\$ 35,478</u>	<u>\$ -</u>

5. Notes and accounts receivable - net

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Note receivable	<u>\$ 273</u>	<u>\$ 336</u>
Trade receivable	<u>\$ 52,662</u>	<u>\$ 52,695</u>

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

	<u>December 31, 2023</u>		<u>December 31, 2022</u>	
	<u>Total</u>	<u>Impairment</u>	<u>Total</u>	<u>Impairment</u>
Not Past Due	\$ 52,501	\$ -	\$ 51,283	\$ -
Past Due	161	-	1,412	-
	<u>\$ 52,662</u>	<u>\$ -</u>	<u>\$ 52,695</u>	<u>\$ -</u>

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

### 6. Inventories

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Merchandise	\$ 14,680	\$ 12,223
Raw materials	1,178	1,484
Net balance of inventory	<u>\$ 15,858</u>	<u>\$ 13,707</u>

The operating costs in relation to inventories in 2023 and 2022 were NT\$52,236 thousand and NT\$56,778 thousand, respectively. The Group suffered a loss on inventory price of NT\$772 thousand in 2023, which is added to the cost of goods. In 2022, the Group sold inventories with valuation losses, and it resulted in gains on inventory price of NT\$1,072 thousand, which was credited/debited to the operating cost.

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

### 7. Prepayments

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Prepayments and payments to suppliers	\$ 3,761	\$ 8,689
Office supplies	4,547	4,541
Offset against value-added tax payable	34,197	18,982
Total	<u>\$ 42,505</u>	<u>\$ 32,212</u>

### 8. Property, Plant and Equipment

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Land	\$ 1,180,723	\$ 1,403,183
Buildings	25,835	30,308
Equipment	2,609	3,024
Transport Equipment	989	1,337
Other Equipment	1,932	2,384
Unfinished Construction Project	505,641	195,239
Total net amount	<u>\$ 1,717,729</u>	<u>\$ 1,635,475</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Unfinished Construction Project	Total
Balance as of January 1, 2023	\$ 1,403,183	\$ 117,985	\$ 17,944	\$ 4,683	\$ 23,808	\$ 195,239	\$ 1,762,842
Additions	-	574	-	-	612	310,402	311,588
Transferred from investment property	(222,460)	-	-	-	-	-	(222,460)
Internal transfer	-	-	-	-	-	-	-
Balance as of December 31, 2023	<u>\$ 1,180,723</u>	<u>\$ 118,559</u>	<u>\$ 17,944</u>	<u>\$ 4,683</u>	<u>\$ 24,420</u>	<u>\$ 505,641</u>	<u>\$ 1,851,970</u>
<b>Accumulated depreciation and impairment</b>							
Balance as of January 1, 2023	\$ -	\$ 87,677	\$ 14,920	\$ 3,346	\$ 21,424	\$ -	127,367
Depreciation expense	-	5,047	415	348	1,064	-	6,874
Disposal	-	-	-	-	-	-	-
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 92,724</u>	<u>\$ 15,335</u>	<u>\$ 3,694</u>	<u>\$ 22,488</u>	<u>\$ -</u>	<u>\$ 134,241</u>
Net amount as of December 31, 2023	<u>\$ 1,180,723</u>	<u>\$ 25,835</u>	<u>\$ 2,609</u>	<u>\$ 989</u>	<u>\$ 1,932</u>	<u>\$ 505,641</u>	<u>\$ 1,717,729</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Unfinished Construction Project	Total
Balance as of January 1, 2022	\$ 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)
Transferred from investment property	151,112	-	-	-	-	4,932	156,044
Internal transfer	-	12,363	-	-	-	(12,363)	-
Balance as of December 31, 2022	<u>\$ 1,403,183</u>	<u>\$ 117,985</u>	<u>\$ 17,944</u>	<u>\$ 4,683</u>	<u>\$ 23,808</u>	<u>\$ 195,239</u>	<u>\$ 1,762,842</u>
<b>Accumulated depreciation and impairment</b>							
Balance as of January 1, 2022	\$ -	\$ 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 December 31, 2022	<u>\$ -</u>	<u>\$ 87,677</u>	<u>\$ 14,920</u>	<u>\$ 3,346</u>	<u>\$ 21,424</u>	<u>\$ -</u>	<u>\$ 127,367</u>
Net amount as of December 31, 2022	<u>\$ 1,403,183</u>	<u>\$ 30,308</u>	<u>\$ 3,024</u>	<u>\$ 1,337</u>	<u>\$ 2,384</u>	<u>\$ 195,239</u>	<u>\$ 1,635,475</u>

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

Buildings	2–55 years
Equipment	1-15 years
Transport Equipment	5–6 years
Other Equipment	1-15 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 capitalized interest of the Group in 2023 and 2022 was NT\$4,429 thousand and NT\$1,073 thousand, respectively, and the capitalized interest rates were 2.14%~2.29% and 1.25%~2.255%, respectively.

#### 9. Investment Property

Item	December 31, 2023	December 31, 2022
Land	\$ 4,329,367	\$ 4,106,907
Land improvements	3,001	2,224
Building	25,072	30,638
Investment property under construction	121,908	120,695
Total net amount	\$ 4,479,348	\$ 4,260,464

Cost	Land	Land improvements	Building	Investment property under construction	Total
Balance as of January 1, 2023	\$ 4,106,907	\$ 2,653	\$ 461,841	\$ 120,695	\$ 4,692,096
Additions	-	226	-	2,356	2,582
Disposal	-	-	(910)	-	(910)
Transfer from Property, Plant and Equipment	222,460	-	-	-	222,460
Internal transfer	-	1,143	-	(1,143)	-
Balance as of December 31, 2023	<u>\$ 4,329,367</u>	<u>\$ 4,022</u>	<u>\$ 460,931</u>	<u>\$ 121,908</u>	<u>\$ 4,916,228</u>
Accumulated depreciation and impairment					
Balance as of January 1, 2023	\$ -	\$ 429	\$ 431,203	\$ -	\$ 431,632
Depreciation expense	-	592	5,501	-	6,093
Disposal	-	-	(845)	-	(845)
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 1,021</u>	<u>\$ 435,859</u>	<u>\$ -</u>	<u>\$ 436,880</u>
Net amount as of December 31, 2023	<u>\$ 4,329,367</u>	<u>\$ 3,001</u>	<u>\$ 25,072</u>	<u>\$ 121,908</u>	<u>\$ 4,479,348</u>
Cost	Land	Land improvements	Building	Investment property under construction	Total
Balance as of January 1, 2022	\$ 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 December 31, 2022	<u>\$ 4,106,907</u>	<u>\$ 2,653</u>	<u>\$ 461,841</u>	<u>\$ 120,695</u>	<u>\$ 4,692,096</u>
Accumulated depreciation and impairment					
Balance as of January 1, 2022	\$ -	\$ 58	\$ 440,481	\$ -	\$ 440,539
Depreciation expense	-	371	6,212	-	6,583
Disposal	-	-	(15,490)	-	(15,490)
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 429</u>	<u>\$ 431,203</u>	<u>\$ -</u>	<u>\$ 431,632</u>
Net amount as of December 31, 2022	<u>\$ 4,106,907</u>	<u>\$ 2,224</u>	<u>\$ 30,638</u>	<u>\$ 120,695</u>	<u>\$ 4,260,464</u>

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, 2023 and 2022 was NT\$32,980,094 thousand and NT\$31,407,919 thousand, respectively. The fair value was measured by an independent appraiser by using the third-level inputs and evaluated via the comparative method land development analysis method.

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, was NT\$23,168 thousand. The land is registered as agricultural land and ownership registration cannot be handled in the Company's name due to legal restrictions. The 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.

10. Intangible asset

Item	December 31, 2023	December 31, 2022
Computer software	\$ 4,463	\$ 5,952
Trademark	829	914
Total net amount	\$ 5,292	\$ 6,866

Cost	Computer software	Trademark	Total
Balance as of January 1, 2023	\$ 14,994	\$ 1,701	\$ 16,695
Additions	-	-	-
Balance as of December 31, 2023	<u>\$ 14,994</u>	<u>\$ 1,701</u>	<u>\$ 16,695</u>
<u>Accumulated amortization</u>			
Balance as of January 1, 2023	\$ 9,042	\$ 787	\$ 9,829
Amortization expense	1,489	85	1,574
Balance as of December 31, 2023	<u>\$ 10,531</u>	<u>\$ 872</u>	<u>\$ 11,403</u>
Net amount as of December 31, 2023	<u>\$ 4,463</u>	<u>\$ 829</u>	<u>\$ 5,292</u>

Cost	Computer software	Trademark	Total
Balance as of January 1, 2022	\$ 14,779	\$ 1,701	\$ 16,480
Additions	215	-	215
Balance as of December 31, 2022	<u>\$ 14,994</u>	<u>\$ 1,701</u>	<u>\$ 16,695</u>
<u>Accumulated amortization</u>			
Balance as of January 1, 2022	\$ 7,583	\$ 702	\$ 8,285
Amortization expense	1,459	85	1,544
Balance as of December 31, 2022	<u>\$ 9,042</u>	<u>\$ 787</u>	<u>\$ 9,829</u>
Net amount as of December 31, 2022	<u>\$ 5,952</u>	<u>\$ 914</u>	<u>\$ 6,866</u>

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	December 31, 2023	December 31, 2022
Restricted bank deposits - consideration trust account	\$ 41,783	\$ 37,360
Additional cost for acquisition of	10,100	10,100
Others	243	126
Total	<u>\$ 52,126</u>	<u>\$ 47,586</u>
Current	\$ 243	\$ 126
Non-current	51,883	47,460
Total	<u>\$ 52,126</u>	<u>\$ 47,586</u>

## 12. Short-term borrowings

<u>Lending Banks</u>	<u>Financing</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Bank of Taiwan	Secured borrowings	\$ 1,405,000	\$ 1,808,000
Hua Nan Commercial Bank	Secured borrowings	295,000	-
Hua Nan Commercial Bank	Credit loans	5,000	-
Jihsun Bank	Credit loans	-	218,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	200,000	163,000
Shin Kong Commercial Bank Co., Ltd.	Credit loans	-	-
Mega International Commercial Bank	Secured borrowings	-	118,000
Mega International Commercial Bank	Credit loans	-	32,000
Taipei Star Bank	Credit loans	100,000	-
Entie Commercial Bank	Credit loans	150,000	-
First Commercial Bank	Credit loans	100,000	-
		<u>\$ 2,255,000</u>	<u>\$ 2,339,000</u>
Interest rate per annum		1.71%~1.80%	1.583%~2.025%

## 13. Short-term bills payable

<u>Item</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Short-term bills payable - face value	\$ 118,000	\$ -
Less: Discounts	(6)	-
Short-term bills payable - net	<u>\$ 117,994</u>	<u>\$ -</u>
Interest rate per annum	1.838%	—

14. Long-term borrowings

Lending Banks	Financing	December 31, 2023	December 31, 2022
First Commercial Bank	Secured borrowings	<u>\$ 291,350</u>	<u>\$ 105,607</u>
	Interest rate per annum	2.38%	2.255%

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:

	December 31, 2023	December 31, 2022
Present value of the defined benefit obligations	\$ 2,078	\$ 1,968
Fair value of plan assets	<u>(2,845)</u>	<u>(2,751)</u>
Net defined benefit assets	<u>\$ (767)</u>	<u>\$ (783)</u>

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

	2023	2022
Present value of the defined benefit obligations at the beginning of the year	\$ 1,968	\$ 2,064
Service cost	-	-
Interest expense	28	15
Remeasurement		
Actuarial losses - experience adjustments	46	54
Actuarial gains (losses) - changes in financial assumptions	36	(165)
Present value of the defined benefit obligations at year-end	<u>\$ 2,078</u>	<u>\$ 1,968</u>

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

	2023	2022
Fair value of plan assets, at the beginning of the year	\$ 2,751	\$ 2,506
Interest income	39	18
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	20	192
Employer's contribution	<u>35</u>	<u>35</u>
Fair value of plan assets at year-end	<u>\$ 2,845</u>	<u>\$ 2,751</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>2023</u>	<u>2022</u>
Service cost	\$ -	\$ -
Net interest	<u>(11)</u>	<u>(3)</u>
Total	<u>\$ (11)</u>	<u>\$ (3)</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:

	<u>Measurement date</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.40%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	Changes in the defined benefit obligations	
	December 31, 2023	December 31, 2022
Discount rate		
Increase by 0.25%	(2.86%)	(3.01%)
Decrease by 0.25%	2.97%	3.13%
Expected increase rate of salaries		
Increase by 0.25%	2.97%	3.13%
Decrease by 0.25%	(2.88%)	(3.03%)

The Company expects to contribute NT\$35 thousand to the defined benefit plan within one year after December 31, 2023.

The average maturity period of the definite benefit obligations as of December 31, 2023 and 2022 was 11 and 12 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	December 31, 2023	December 31, 2022
2023	\$ -	\$ 54
2024	56	53
2025	56	52
2026	55	51
2027	53	50
2028 onward	2,190	2,086
	<u>\$ 2,410</u>	<u>\$ 2,346</u>

16. Equity

(1) Share capital of ordinary shares

	December 31, 2023	December 31, 2022
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.

#### 17. Operating revenue

	<u>2023</u>	<u>2022</u>
Income from sales of goods	\$ 64,053	\$ 78,113
Rental income	75,450	69,225
Guest room income	31,602	17,720
Total	<u>\$ 171,105</u>	<u>\$ 165,058</u>

#### 18. Other income

	<u>2023</u>	<u>2022</u>
Interest income	\$ 1,956	\$ 146
Dividend income	190,282	347,383
Other income	1,392	5,016
Total	<u>\$ 193,630</u>	<u>\$ 352,545</u>

19. Other gains and losses

	<u>2023</u>	<u>2022</u>
Net exchange gain (loss)	\$ (1,626)	\$ 765
Gain on financial assets at FVTPL	257	11
Net loss from the disposal of property, plant, equipment and investment property	(160)	(9,894)
Other losses	-	(604)
Total	<u>\$ (1,529)</u>	<u>\$ (9,722)</u>

20. Financial costs

	<u>2023</u>	<u>2022</u>
Interest expense		
Bank borrowings	\$ 39,687	\$ 24,487
Commercial paper	1,210	3,224
Imputed interest on deposit	196	108
Total	<u>\$ 41,093</u>	<u>\$ 27,819</u>

21. Additional information on the nature of expenses

Net income includes the following items:

	<u>2023</u>	<u>2022</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 6,874	\$ 6,731
Depreciation of investment property	6,093	6,583
Amortization of intangible assets	1,574	1,544
Total	<u>\$ 14,541</u>	<u>\$ 14,858</u>

	<u>2023</u>	<u>2022</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 15,410	\$ 15,789
Direct operating expenses of investment property that does not generate rental income	<u>11,437</u>	<u>37,874</u>
Total	<u>\$ 26,847</u>	<u>\$ 53,663</u>
R&D expenditures expensed when incurred	<u>\$ 4,340</u>	<u>\$ 4,529</u>
Employee benefits expense		
Post-employment benefits (Note (VI).15)		
Defined contribution plans	\$ 3,115	\$ 2,977
Defined benefit plan	(11)	(3)
Salaries and bonuses	55,432	53,804
Labor and health insurance expenses	6,972	6,077
Other employee benefit expenses	<u>3,084</u>	<u>3,465</u>
Total	<u>\$ 68,592</u>	<u>\$ 66,320</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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Net income before tax	<u>\$ 86,352</u>	<u>\$ 211,780</u>
Income tax expense at the statutory tax rate (20%) for net income before tax	\$ 17,270	\$ 42,356
Tax effects of adjustments:		
Income from tax cessation and exemption	(38,135)	(70,450)
Effects of non-deductible expenses when determining taxable income	103	264
Temporary difference	346	(704)
Loss carryforwards in the current period	<u>20,416</u>	<u>28,534</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

(2) Information on loss carryforwards

As of December 31, 2023, the Group's losses have not yet been carried forward and the deadlines are as follows:

<u>Balance</u>	<u>Deadline</u>
\$ 163,339	2024
330,936	2025
105,952	2026
141,882	2027
192,139	2028
148,941	2029
137,795	2030
76,625	2031
112,565	2032
67,369	2033
<u>\$ 1,477,543</u>	

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards	\$ 1,438,927	\$ 1,511,540
Deductible temporary difference	<u>16,082</u>	<u>14,812</u>
Total	<u>\$ 1,455,009</u>	<u>\$ 1,526,352</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 and Shihlin Environment Corporation have been assessed up to 2021.

23. Earnings per Share

	2023	2022
Basic earnings per share	\$ 0.33	\$ 0.81

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

	2023	2022
Net profit attributed to the owners of the parent company (NT\$ thousand)	\$ 86,352	\$ 211,780
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	260,039	260,039

24. Non-cash transaction

	2023	2022
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 311,588	\$ 178,282
Increase in other payables	(50,145)	(15,601)
Pay cash	\$ 261,443	\$ 162,681
Disposal of investment property		
Increase in other payables	\$ (95)	(6,667)

25. Material lease arrangements

As of December 31, 2023 and 2022, 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	December 31, 2023	December 31, 2022
Less than 1 year	\$ 53,040	\$ 53,213
1-2 years	49,538	51,201
2-3 years	47,580	48,448
3-4 years	31,197	46,934
4-5 years	27,268	31,173
Over 5 years	283,987	311,255
Total	\$ 492,610	\$ 542,224

## 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

①The 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.

### 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 Group's financial instruments at fair value on a repetitive basis are as follows:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial Assets at FVTPL				
Open-end bond funds	\$ 1,053	\$ -	\$ -	\$ 1,053
Financial Assets at FVTOCI				
Stocks	2,109,953	-	7,360	2,117,313
Total	<u>\$ 2,111,006</u>	<u>\$ -</u>	<u>\$ 7,360</u>	<u>\$ 2,118,366</u>

	December 31, 2022			
	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>

There were no transfers between Levels 1 and 2 in 2023 and 2022.

Reconciliation of Level 3 fair value measurements on financial instruments:

Financial asset	Financial Assets at FVTOCI	
	December 31, 2023	December 31, 2022
Beginning retained earnings	\$ 7,441	\$ 5,116
Purchase of financial assets at FVTOCI	-	2
Unrealized (losses) gains from investments in equity instruments at FVTOCI are recognized.	(81)	2,323
Ending balance	<u>\$ 7,360</u>	<u>\$ 7,441</u>

③Valuation 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	December 31, 2023	December 31, 2022
Financial Assets at FVTPL	\$ 1,053	\$ 786
Financial Assets at FVTOCI	2,117,313	3,066,312
Financial assets at amortized cost (Note)	318,916	271,457
Total	<u>\$ 2,437,282</u>	<u>\$ 3,338,555</u>

Financial liability	December 31, 2023	December 31, 2022
At amortized cost		
Short-term borrowings	\$ 2,255,000	\$ 2,339,000
Short-term bills payable	117,994	-
Accounts payable	8,999	10,784
Other payables and other current liabilities	87,481	35,763
Long-term borrowings	291,350	105,607
Guarantee deposits received	13,468	13,882
	<u>\$ 2,774,292</u>	<u>\$ 2,505,036</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 currency exchange risks, 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 Exchange risk

The Company's exchange risk is primarily from time deposits in foreign currencies. The Company refers to the estimated exchange rate development reports of financial companies to estimate the appreciation of the USD to determine the time of sales.

The information on the Group's assets and liabilities denominated in

non-functional currencies with significant exposure to exchange rate fluctuations on the balance sheet date and the sensitivity analysis are as follows:

Unit: thousand in each foreign currency/NT\$ thousand  
December 31, 2023

<u>Financial asset</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount</u> (NTD)	<u>Sensitivity analysis</u>		
				<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on equity</u>
<u>Monetary item</u> USD	2,165	30.705	66,467	±10%	±6,647	±6,647

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

As of December 31, 2022, the foreign currency financial assets and liabilities held by the Group were not significant; therefore, there is no significant exchange rate risk expected.

#### ②Interest 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 2023 and 2022 will increase/decrease by NT\$6,661 thousand and NT\$6,112 thousand, respectively.

#### ③Other 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 2023 and 2022 will increase/decrease by NT\$105,866 thousand and NT\$153,316 thousand 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, 2023 and 2022, the top three customers accounted for 77.69% and 77.31% 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, 2023 and 2022, the Group's undrawn financing facilities of bank loans and bills companies were NT\$2,910,650 thousand and NT\$3,470,393 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, 2023				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 150,000	\$ -	\$ 2,105,000	\$ -	\$ 2,255,000
Short-term bills payable	117,994	-	-	-	117,994
Accounts payable	5,518	3,464	4	13	8,999
Other payables	25,354	10,236	220	50,937	86,747
Other current liabilities	573	161	-	-	734
Long-term borrowings	-	-	-	291,350	291,350
Guarantee deposits received	-	-	-	13,468	13,468
	<u>\$ 299,439</u>	<u>\$ 13,861</u>	<u>\$ 2,105,224</u>	<u>\$ 355,768</u>	<u>\$ 2,774,292</u>
	December 31, 2022				
	Less than 30 days	31-60 days	61-90 days	Over 90 days	Total
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ -	\$ 173,000	\$ 208,000	\$ 1,958,000	\$ 2,339,000
Accounts payable	7,459	3,004	12	309	10,784
Other payables	11,743	1,527	48	22,137	35,455
Other current liabilities	140	168	-	-	308
Long-term borrowings	-	-	-	105,607	105,607
Guarantee deposits received	-	-	-	13,882	13,882
	<u>\$ 19,342</u>	<u>\$ 177,699</u>	<u>\$ 208,060</u>	<u>\$ 2,099,935</u>	<u>\$ 2,505,036</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
Shanghai Yixing International Trade Co., Ltd.	Substantive related party
Ta Shing 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
Dao Pu Co., Ltd.	Substantive related party
Yabo Oil Enterprise Co., Ltd.	Substantive related party
New Safety Transportation Corp.	Substantive related party
Tianhe Investment Co., Ltd.	Substantive related party
Dao Kuan Co.,Ltd.	Substantive related party
Tian He Culture and Art Foundation	Substantive related party
Feng Tan Pai Lou Co.,Ltd.	Substantive related party

Related Party Name	Relationship with the Group
Asia-Pacific Charitable Foundation	Substantive related party
Yeong Yi Asia Corp.	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

		2023				
		Operating revenue	Cost of rental sales	Selling expenses	Administrative expenses	Research expenses
Other related parties		\$ 15,185	\$ 68	\$ 393	\$ 475	\$ 57
		2022				
		Operating revenue	Cost of rental sales	Selling expenses	Administrative expenses	Research expenses
Other related parties		\$ 22,999	\$ 66	\$ 189	\$ 454	\$ 2
		December 31, 2023				
		Trade receivable	Prepayments	Refundable deposits	Contract liability	Other payables
Other related parties		\$ 643	\$ 62	\$ 34	\$ 169	\$ 6
		December 31, 2022				
		Trade receivable	Prepayments	Refundable deposits	Contract liability	Other payables
Other related parties		\$ 1,045	\$ 65	\$ 6	\$ 52	\$ 18

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 under the name of a related party, and its protection measures are detailed in Note (VI).9.

### (3) Remuneration to key management personnel

	<u>2023</u>	<u>2022</u>
Short-term benefits	\$ 2,617	\$ 2,633
Post-employment benefits	<u>101</u>	<u>101</u>
	<u>\$ 2,718</u>	<u>\$ 2,734</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>December 31, 2023</u>	<u>December 31, 2022</u>
Property, plant and equipment:		
Land	\$ 1,050,861	\$ 1,202,691
Buildings	<u>1,164</u>	<u>1,049</u>
	<u>1,052,025</u>	<u>1,203,740</u>
Investment property:		
Land	1,920,834	1,920,117
Building	<u>19,944</u>	<u>23,395</u>
	<u>1,940,778</u>	<u>1,943,512</u>
Total	<u>\$ 2,992,803</u>	<u>\$ 3,147,252</u>

### (IX) Significant Contingent Liabilities and Unrecognized Commitments

1. As of December 31, 2023 and 2022, the amount in guaranteed notes issued by the Group for bank borrowings was NT\$2,040,000 thousand and NT\$2,200,000 thousand, respectively.
2. For the information on endorsement/ guarantee provided by the Group for others, please refer to Table 2.
3. As of December 31, 2023, for the outsourcing construction contracts signed by the Group, the contract total amount was NT\$964,254 thousand, among which the construction amount already paid was NT\$424,941 thousand.

(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 are as follows:

2023	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Income from external customers	\$ 112,933	\$ 58,172	\$ -	\$ 171,105
Inter-segment income	19	39	(58)	-
Total income	<u>\$ 112,952</u>	<u>\$ 58,211</u>	<u>\$ (58)</u>	<u>\$ 171,105</u>
2023	Consumer Goods Department	Real Estate Development Department	Internal write-off	Total
Interest income	<u>\$ 1,671</u>	<u>\$ 285</u>	<u>\$ -</u>	<u>\$ 1,956</u>
Interest expense	<u>\$ 16,129</u>	<u>\$ 24,964</u>	<u>\$ -</u>	<u>\$ 41,093</u>
Depreciation and amortization	<u>\$ 8,466</u>	<u>\$ 6,075</u>	<u>\$ -</u>	<u>\$ 14,541</u>
Segment profit or loss	<u>\$ 124,987</u>	<u>\$ (38,635)</u>	<u>\$ -</u>	<u>\$ 86,352</u>
Capital expenditure of non-current assets	<u>\$ 2,014</u>	<u>\$ 312,156</u>	<u>\$ -</u>	<u>\$ 314,170</u>
Assets from external entities	\$ 2,596,807	\$ 6,112,317	\$ -	\$ 8,709,124
Inter-segment transactions	29,458	-	(29,458)	-
Segment assets	<u>\$ 2,626,265</u>	<u>\$ 6,112,317</u>	<u>\$ (29,458)</u>	<u>\$ 8,709,124</u>
Liabilities from external entities	<u>\$ 950,339</u>	<u>\$ 3,457,320</u>	<u>\$ -</u>	<u>\$ 4,407,659</u>
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>

## 2. Information on segments by location

	<u>2023</u>	<u>2022</u>
Income from external customers		
Region:		
Taiwan	\$ 170,622	\$ 163,093
Europe	66	1,209
Asia	<u>417</u>	<u>756</u>
	<u>\$ 171,105</u>	<u>\$ 165,058</u>

All non-current assets of the Group 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>2023</u>	<u>2022</u>
Customer A from the Consumer Goods Department	<u>\$ 17,966</u>	<u>\$ 17,933</u>

Shihlin Paper Co., Ltd.  
 Financing provided to others  
 2023

Table 1 Expressed in Thousands of New Taiwan Dollars

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 loss allowance	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Other receivables	Yes	\$300,000	\$300,000	\$22,350	1.838-1.868	Need for short-term financing	-	Operating capital	-	-	-	\$860,293	\$1,720,586

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

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

Shihlin Paper Co., Ltd. and its Subsidiaries

Endorsement/ guarantee provided

2023

Table 2

Expressed in Thousands of New Taiwan Dollars

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 (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	-	18.60%	\$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	21.59%	\$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 and guaranteed, and the calculation method of the total limit of the Company's endorsement and 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 and guarantee provided to external parties is limited to no more than twice the Company's paid-in capital.
3. The total amount of endorsement and guarantee by the Company and its subsidiaries as a whole and the amount of endorsement and guarantee to a single enterprise shall not exceed 12 times the Company's paid-in capital.

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

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

Shihlin Paper Co., Ltd. and its Subsidiaries  
 Marketable Securities Held at Year-End (excluding investment in subsidiaries, associates, and joint venture equity)  
 December 31, 2023

Table 3 Expressed in Thousands of New Taiwan Dollars

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	2,083,825	1.35%	2,083,825
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - Current	114,445	1,436	0.00%	1,436
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - Current	278,550	7,632	0.00%	7,632
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - Current	99,240	1,256	0.00%	1,256
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - Current	184,466	8,440	0.00%	8,440
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - Current	69,508	1,324	0.01%	1,324
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - Current	400,000	6,040	0.03%	6,040
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - Non-Current	3,330	7,358	4.17%	7,358
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	71,173.20	1,053	-	1,053

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

2023

Table 4

Expressed in Thousands of New Taiwan Dollars

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	62,679	Same as general transaction counterparties	36.63%
				Income from labor services	16,157		9.44%
				Other income	932		0.54%
Purchase	202			0.12%			
Trade receivable	13,608			0.16%			
Other payables	1,979			0.02%			
		Shihlin Environment	1	Other receivables	22,358	Same as general transaction counterparties	0.26%
		Sunshine Shihlin	1	Selling expenses	7	Same as general transaction counterparties	0.00%
				Administrative expenses	11		0.01%
				Other receivables	7,100		0.08%
1	Sunnyfield Shihlin	Sunshine Shihlin	2	Sale	19	Same as general transaction counterparties	0.01%
				Selling expenses	21		0.01%

Note 1: The relationship with the related party refers to

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)

2023

Table 5

Expressed in Thousands of New Taiwan Dollars

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	115,075	11,500,000	100.00	123,576	84	84	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419 (Note 1)	3,806,419	200,100,000	100.00	2,560,880	(38,718)	(38,718)	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	300,000	30,000,000	100.00	52,347	(29,686)	(29,672)	
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, 2023

Table 6

Name of major shareholder	Shares	No. of shares held	Shareholding percentage
Wan Hai Charitable Foundation		18,150,259	6.97%
Tai Chuan Investment Co., Ltd.		17,986,525	6.91%
Yeong Yi Asia Corp.		16,521,434	6.35%

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

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

## **V. 2023 parent company only financial statements**

### **Independent Auditors' Report**

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

#### **Opinion**

We have audited the financial statements of Shihlin Paper Co., Ltd. (“the Company”), which comprise the balance sheets as of December 31, 2023 and 2022, the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of material accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2023 and 2022, and its parent company only financial performance and its parent company only cash flows for January 1 to December 31, 2023 and 2022 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, 2023. 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, 2023 is as follows:

#### Tangible asset impairment assessment

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

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

Corresponding audit procedure

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

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

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

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and maintenance of necessary internal control related to the preparation of said statements to ensure that said statements to be free from any material misstatement, either due to fraud or errors.

In preparing the parent company only financial statements, the management is

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

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

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

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

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

1. Identify and assess the risks of material misstatement of the parent company only financial statements, either due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from 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, 2023 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, 2024

*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.

Balance Sheets

December 31, 2023 and 2022

(Expressed in Thousands of New Taiwan Dollars)

Asset			December 31, 2023		December 31, 2022		LIABILITIES AND EQUITY			December 31, 2023		December 31, 2022	
Code	Accounting Items	Note	Amount	%	Amount	%	Code	Accounting Items	Note	Amount	%	Amount	%
Current assets							Current liabilities						
1100	Cash and cash equivalents	(IV) and (VI)	\$ 155,478	2.95	\$ 50,688	0.82	2100	Short-term borrowings	(VI)	\$ 800,000	15.15	\$ 921,000	14.98
1120	Financial Assets at FVTOCI	(IV) and (VI)	2,109,953	39.96	3,058,871	49.74	2110	Short-term bills payable	(VI)	117,994	2.24	-	-
							2170	Accounts payable	(VII)	8,939	0.17	10,708	0.17
1136	Financial assets at amortized cost	(IV) and (VI)	30,705	0.58	-	-	2200	Other payables	(VII)	10,650	0.20	13,442	0.22
1170	Net accounts receivable	(IV), (VI), and (VII)	53,315	1.01	55,000	0.89	2300	Other current liabilities		179	0.00	187	0.00
1200	Other receivables	(IV) and (VII)	30,751	0.58	8,473	0.14	21XX	Total current liabilities		<u>937,762</u>	<u>17.76</u>	<u>945,337</u>	<u>15.37</u>
1300	Net balance of inventory	(IV) and (VI)	632	0.01	960	0.02							
1410	Prepayments	(VII)	2,049	0.04	4,211	0.07							
1470	Other current assets		177	0.00	98	0.00							
11XX	Total current assets		<u>2,383,060</u>	<u>45.13</u>	<u>3,178,301</u>	<u>51.68</u>	Non-current liabilities						
							2570	Deferred tax liabilities		29,405	0.56	29,405	0.48
							2645	Guarantee deposits received		11,378	0.21	11,378	0.18
							25XX	Total non-current liabilities		<u>40,783</u>	<u>0.77</u>	<u>40,783</u>	<u>0.66</u>
							2XXX	Total liabilities		<u>978,545</u>	<u>18.53</u>	<u>986,120</u>	<u>16.03</u>
non-current assets							Equity						
1517	Financial Assets at FVTOCI	(IV) and (VI)	7,358	0.14	7,439	0.12	3100	Share capital	(VI)				
1551	Investment under equity method	(IV) and (VI)	2,736,803	51.83	2,805,432	45.61	3110	Share capital of ordinary shares		2,600,391	49.25	2,600,391	42.28
1600	Property, Plant and Equipment	(IV), (VI), and (VIII)	10,285	0.20	35,351	0.58		Retained earnings	(VI)				
1760	Investment Property	(IV), (VI), and (VIII)	136,986	2.59	116,747	1.90	3320	Special reserve		1,532,258	29.02	1,532,258	24.92
1780	Intangible asset	(IV) and (VI)	4,462	0.08	5,952	0.10	3350	Deficit to be offset		(1,394,475)	(26.41)	(1,480,765)	(24.08)
1920	Refundable deposits		289	0.01	289	0.00	3300	Total retained earnings		<u>137,783</u>	<u>2.61</u>	<u>51,493</u>	<u>0.84</u>
1975	Net defined benefit assets	(IV) and (VI)	767	0.02	783	0.01	3400	Other equity interest		<u>1,563,291</u>	<u>29.61</u>	<u>2,512,290</u>	<u>40.85</u>
15XX	Total non-current assets		<u>2,896,950</u>	<u>54.87</u>	<u>2,971,993</u>	<u>48.32</u>	3XXX	Total equity		<u>4,301,465</u>	<u>81.47</u>	<u>5,164,174</u>	<u>83.97</u>
Total assets			<u>\$ 5,280,010</u>	<u>100.00</u>	<u>\$ 6,150,294</u>	<u>100.00</u>	Total liabilities and equity			<u>\$ 5,280,010</u>	<u>100.00</u>	<u>\$ 6,150,294</u>	<u>100.00</u>

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

Shihlin Paper Co., Ltd.  
Statements of Comprehensive Income  
For the Years Ended December 31, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

Code	Item	Note	2023		2022	
			Amount	%	Amount	%
4000	Operating revenue	(IV), (VI), and (VII)	\$ 128,649	100.00	\$ 132,098	100.00
5000	Operating costs	(VI) and (VII)	69,818	54.27	69,848	52.88
5900	Gross operating profit		58,831	45.73	62,250	47.12
5910	Less: Unrealized sales profits		323	0.25	-	-
5920	Add: Realized sales profits		-	-	977	0.74
5950	Net operating profit		58,508	45.48	63,227	47.86
	Operating expenses					
6100	Selling expenses	(VII)	39,170	30.44	39,623	29.99
6200	Administrative expenses	(VII)	35,145	27.32	35,816	27.11
6300	R&D expenses	(VII)	3,586	2.79	3,525	2.67
6000	Total operating expenses		77,901	60.55	78,964	59.77
6900	Operating losses		(19,393)	(15.07)	(15,737)	(11.91)
	Non-operating revenue and expense					
7010	Other income	(VI) and (VII)	191,771	149.06	347,884	263.35
7020	Other gains and losses	(VI)	(1,591)	(1.24)	(185)	(0.14)
7050	Financial costs	(VI)	(16,129)	(12.54)	(10,850)	(8.21)
7070	Share of profit or loss of subsidiaries accounted for using the equity method	(IV)	(68,306)	(53.09)	(109,332)	(82.77)
7000	Total non-operating revenue and expenses		105,745	82.19	227,517	172.23
7900	Net income before tax		86,352	67.12	211,780	160.32
7950	Income tax expense	(IV) and (VI)	-	-	-	-
8200	Net income for the current period		86,352	67.12	211,780	160.32
	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)	(62)	(0.05)	303	0.23
8316	Unrealized gains (losses) on investments in equity instruments at FVTOCI	(IV)	(948,999)	(737.66)	(3,505,026)	(2,653.35)
8300	Total other comprehensive income (net of tax) for the current period		(949,061)	(737.71)	(3,504,723)	(2,653.12)
8500	Total comprehensive income (loss) for the current period for the current period		\$ (862,709)	(670.59)	\$ (3,292,943)	(2,492.80)
	Earnings per share					
9750	Basic earnings per share	(VI)	\$ 0.33		\$ 0.81	

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

Shihlin Paper Co., Ltd.  
Statements of Changes In Equity  
For the Years Ended December 31, 2023 and 2022  
(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, 2022	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
Net profit for 2023	-	-	-	86,352	86,352	-	86,352
Other comprehensive income for 2023	-	-	-	(62)	(62)	(948,999)	(949,061)
Total comprehensive income for 2023	-	-	-	86,290	86,290	(948,999)	(862,709)
Balance as of December 31, 2023	<u>260,039</u>	<u>\$ 2,600,391</u>	<u>\$ 1,532,258</u>	<u>\$ (1,394,475)</u>	<u>\$ 137,783</u>	<u>\$ 1,563,291</u>	<u>\$ 4,301,465</u>

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

Shihlin Paper Co., Ltd.  
Statements of Cash Flows  
For the Years Ended December 31, 2023 and 2022  
(Expressed in Thousands of New Taiwan Dollars)

	2023	2022
Cash flows from operating activities:		
Net income before tax for the current period	\$ 86,352	\$ 211,780
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	6,841	7,426
Amortization expense	1,490	1,459
Interest expense	16,129	10,850
Interest income	(1,269)	(222)
Dividend income	(190,282)	(347,383)
Share of profit or loss of subsidiaries accounted for using the equity method	68,306	109,332
Unrealized sales profits	323	-
Realized sales profits	-	(977)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	1,685	(6,429)
Increase in other receivables	(22,278)	(7,452)
Decrease (increase) in inventories	328	(76)
Decrease (increase) in prepayments	2,162	(2,019)
Increase in other current assets	(79)	(30)
Increase in net defined benefit assets	(46)	(38)
Decrease in contract liability	-	(9)
Increase (decrease) in accounts payable	(1,769)	405
Increase (decrease) in other payables	(2,139)	1,679
Decrease in other current liabilities	(8)	(84)
Cash outflow generated from operations	(34,254)	(21,788)
Interest received	1,269	222
Dividends received	190,282	348,817
Net cash inflow from operating activities	157,297	327,251
Cash flows from investing activities:		
Increase in AC financial assets	(30,705)	-
Acquisition of Financial Assets at FVTOCI	-	(600)
Acquisition of investments under equity method	-	(200,000)
Acquisition of Property, Plant and Equipment	(767)	(787)
Acquisition of investment property	(1,800)	(3,728)
Acquisition of intangible assets	-	(215)
Decrease in refundable deposits	-	59
Net cash used in investing activities	(33,272)	(205,271)

(Continued on the next page)

Shihlin Paper Co., Ltd.  
 Statements of Cash Flows  
 For the Years Ended December 31, 2023 and 2022  
 (Expressed in Thousands of New Taiwan Dollars)

(Continued from the previous page)	2023	2022
Cash flows from financing activities:		
Short-term borrowings	\$ 3,802,500	\$ 4,153,000
Repayment of short-term loans	(3,923,500)	(3,604,000)
Borrowing of short-term bills payable	1,018,000	1,474,000
Repayment of short-term bills payable	(900,000)	(2,094,000)
Increase in guarantee deposit received	-	395
Interest paid	(16,235)	(10,271)
Net cash outflow from financing activities	(19,235)	(80,876)
Increase in cash and cash equivalents for the current period	104,790	41,104
Cash and cash equivalents at the beginning of the year	50,688	9,584
Cash and cash equivalents at year-end	\$ 155,478	\$ 50,688

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

Shihlin Paper Co., Ltd.

Notes to the Financial Statements

December 31, 2023 and 2022

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

(I) Organization and operations

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

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

(II) The Authorization of Financial Statements

The parent company only financial statements were approved by the Company’s Board of Directors on March 13, 2024.

(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 2024 and endorsed by the FSC

<u>New, Revised, or Amended Standards and Interpretations</u>	Effective Date Issued by	
	I	A S B
Amendments to IFRS 16 "Lease Liability in a Sale and Leaseback"	January 1, 2024	
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	
Amendments to IAS 7 and IFRS 7 "Supplier Financing Arrangements"	January 1, 2024	

As of the date of adopting the parent company only financial statements, as evaluated by the Company the standards and interpretations above will not have significant effect on the Company's financial position and financial performance.

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

<u>New, Revised, or Amended Standards and Interpretations</u>	Effective Date Issued by	
	I	A S B
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB	
IFRS17 "Insurance Contracts"	January 1, 2023	
Amendments to IFRS 17	January 1, 2023	
Amendment to IFRS 17 "Initial Application of IFRS 17 and IFRS 9 - Comparative Information"	January 1, 2023	
Amendments to IAS 21 "Lack of Exchangeability"	January 1, 2025	

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

#### 6. Financial instruments

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

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

##### Financial asset

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

practices.

(1) Measurement types

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

① Financial assets at amortized cost

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

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

After initial recognition, such assets are measured at amortized cost of the total carrying amount determined by the effective interest method less any impairment losses 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 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	December 31, 2023	December 31, 2022
Cash on hand	\$ 85	\$ 90
Check and demand (current) deposit	39,188	50,598
Cash equivalents (bank time deposits with original maturity of less than 3 months)	116,205	-
Total	\$ 155,478	\$ 50,688

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

##### 2. Financial Assets at FVTOCI

Item	December 31, 2023	December 31, 2022
Investment in equity instruments - current		
Domestic investment		
Domestic listed stocks	\$ 2,109,953	\$ 3,058,871
Investment in equity instruments - non-current		
Domestic investment		
Domestic unlisted stocks	7,358	7,439
Total	\$ 2,117,311	\$ 3,066,310

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

### 3. Financial assets at amortized cost

Item	December 31, 2023	December 31, 2022
Time deposit	\$ 30,705	\$ -

### 4. Net accounts receivable

Item	December 31, 2023	December 31, 2022
Trade receivable	\$ 53,315	\$ 55,000

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.

#### Aging analysis of trade receivable

	December 31, 2023		December 31, 2022	
	Total	Impairment	Total	Impairment
Not Past Due	\$ 53,315	\$ -	\$ 55,000	\$ -
Past Due	-	-	-	-
	<u>\$ 53,315</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ -</u>

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

### 5. Inventories

Item	December 31, 2023	December 31, 2022
Merchandise	\$ 1	\$ 6
Raw materials	631	954
Net balance of inventory	<u>\$ 632</u>	<u>\$ 960</u>

The operating costs in relation to inventories in 2023 and 2022 were

NT\$59,840 thousand and NT\$59,311 thousand, respectively. The Company suffered a loss on inventory price of NT\$323 thousand in 2023, which is added to the cost of goods. 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 thousand in 2022, 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.

#### 6. Investment under equity method

Investee	December 31, 2023		December 31, 2022	
	Shareholding percentage	Amount	Shareholding percentage	Amount
Shihlin Environment Corporation Sunshine Shihlin Development Co., Ltd.	100.00%	\$ 123,576	100.00%	\$ 123,492
Sunnyfield Shihlin Co., Ltd.	100.00%	2,560,880	100.00%	2,599,598
	100.00%	<u>52,347</u>	100.00%	<u>82,342</u>
Total		<u>\$ 2,736,803</u>		<u>\$ 2,805,432</u>

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

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

#### 7. Property, Plant and Equipment

Item	December 31, 2023	December 31, 2022
Land	\$ 2,286	\$ 26,172
Buildings	3,796	4,131
Equipment	2,609	3,024
Transport Equipment	988	1,337
Other Equipment	606	687
Total net amount	<u>\$ 10,285</u>	<u>\$ 35,351</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of January 1, 2023	\$ 26,172	\$ 8,278	\$ 17,554	\$ 4,682	\$ 6,820	\$ 63,506
Additions	-	-	-	-	214	214
Transfer to investment property	(23,886)	-	-	-	-	(23,886)
Balance as of December 31, 2023	<u>\$ 2,286</u>	<u>\$ 8,278</u>	<u>\$ 17,554</u>	<u>\$ 4,682</u>	<u>\$ 7,034</u>	<u>\$ 39,834</u>
Accumulated depreciation and impairment						
Balance as of January 1, 2023	\$ -	\$ 4,147	\$ 14,530	\$ 3,345	\$ 6,133	\$ 28,155
Depreciation expense	-	335	415	349	295	1,394
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 4,482</u>	<u>\$ 14,945</u>	<u>\$ 3,694</u>	<u>\$ 6,428</u>	<u>\$ 29,549</u>
Net amount as of December 31, 2023	<u>\$ 2,286</u>	<u>\$ 3,796</u>	<u>\$ 2,609</u>	<u>\$ 988</u>	<u>\$ 606</u>	<u>\$ 10,285</u>

Cost	Land	Buildings	Equipment	Transport Equipment	Other Equipment	Total
Balance as of January 1, 2022	\$ 26,172	\$ 7,647	\$ 17,554	\$ 4,682	\$ 6,738	\$ 62,793
Additions	-	631	-	-	82	713
Balance as of December 31, 2022	<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 January 1, 2022	\$ -	\$ 3,836	\$ 14,104	\$ 2,997	\$ 5,607	\$ 26,544
Depreciation expense	-	311	426	348	526	1,611
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 4,147</u>	<u>\$ 14,530</u>	<u>\$ 3,345</u>	<u>\$ 6,133</u>	<u>\$ 28,155</u>
Net amount as of December 31, 2022	<u>\$ 26,172</u>	<u>\$ 4,131</u>	<u>\$ 3,024</u>	<u>\$ 1,337</u>	<u>\$ 687</u>	<u>\$ 35,351</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.

#### 8. Investment Property

Item	December 31, 2023	December 31, 2022
Land	\$ 105,075	\$ 81,189
Building	24,574	30,021
Investment property under construction	7,337	5,537
Total net amount	<u>\$ 136,986</u>	<u>\$ 116,747</u>

Cost	Land	Building	Investment property under construction	Total
Balance as of January 1, 2023	\$ 81,189	\$ 449,268	\$ 5,537	\$ 535,994
Additions	-	-	1,800	1,800
Transfer from Property, Plant and Equipment	23,886	-	-	23,886
Balance as of December 31, 2023	<u>\$ 105,075</u>	<u>\$ 449,268</u>	<u>\$ 7,337</u>	<u>\$ 561,680</u>
Accumulated depreciation and impairment				
Balance as of January 1, 2023	\$ -	\$ 419,247	\$ -	\$ 419,247
Depreciation expense	-	5,447	-	5,447
Balance as of December 31, 2023	<u>\$ -</u>	<u>\$ 424,694</u>	<u>\$ -</u>	<u>\$ 424,694</u>
Net amount as of December 31, 2023	<u>\$ 105,075</u>	<u>\$ 24,574</u>	<u>\$ 7,337</u>	<u>\$ 136,986</u>

Cost	Investment property under construction			Total
	Land	Building		
Balance as of January 1, 2022	\$ 81,189	\$ 449,268	\$ 1,809	\$ 532,266
Additions	-	-	3,728	3,728
Balance as of December 31, 2022	<u>\$ 81,189</u>	<u>\$ 449,268</u>	<u>\$ 5,537</u>	<u>\$ 535,994</u>
Accumulated depreciation and impairment	Investment property under construction			Total
	Land	Building		
Balance as of January 1, 2022	\$ -	\$ 413,432	\$ -	\$ 413,432
Depreciation expense	-	5,815	-	5,815
Balance as of December 31, 2022	<u>\$ -</u>	<u>\$ 419,247</u>	<u>\$ -</u>	<u>\$ 419,247</u>
Net amount as of December 31, 2022	<u>\$ 81,189</u>	<u>\$ 30,021</u>	<u>\$ 5,537</u>	<u>\$ 116,747</u>

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

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

The fair value of the Company's investment property as of December 31, 2023 and 2022 was NT\$4,166,809 thousand and NT\$3,626,717 thousand, respectively. The fair value was measured by an independent appraiser by using the third-level inputs and evaluated via the comparative method land development analysis method.

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, was NT\$23,168 thousand. The land is registered as agricultural land and ownership registration cannot be handled in the Company's name due to legal restrictions. The land ownership is temporarily registered under the name of a third party, who has signed a trust registration contract with the Company. The contract clearly defines the rights and obligations of both parties, and the ownership will be transferred to the Company after the change of the nature of the land is completed.

## 9. Intangible asset

Item	December 31, 2023	December 31, 2022
Computer software	\$ 4,462	\$ 5,952
<u>Cost</u>		<u>Computer software</u>
Balance as of January 1, 2023		\$ 14,053
Additions		-
Balance as of December 31, 2023		<u>\$ 14,053</u>
<u>Accumulated amortization</u>		
Balance as of January 1, 2023		\$ 8,101
Amortization expense		1,490
Balance as of December 31, 2023		<u>\$ 9,591</u>
Net amount as of December 31, 2023		<u>\$ 4,462</u>
<u>Cost</u>		<u>Computer software</u>
Balance as of January 1, 2022		\$ 13,838
Additions		215
Balance as of December 31, 2022		<u>\$ 14,053</u>
<u>Accumulated amortization</u>		<u>Computer software</u>
Balance as of January 1, 2022		\$ 6,642
Amortization expense		1,459
Balance as of December 31, 2022		<u>\$ 8,101</u>
Net amount as of December 31, 2022		<u>\$ 5,952</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.

## 10. Short-term borrowings

Lending Banks	Financing	December 31, 2023	December 31, 2022
Bank of Taiwan	Secured borrowings	\$ 550,000	\$ 550,000
Jihsun Bank	Credit loans	-	150,000
Chang Hwa Commercial Bank, Ltd.	Credit loans	100,000	71,000
Mega International Commercial Bank	Secured borrowings	-	118,000
Mega International Commercial Bank	Credit loans	-	32,000
Entie Commercial Bank	Credit loans	150,000	-
Total		<u>\$ 800,000</u>	<u>\$ 921,000</u>
Interest rate per annum		1.75%~1.80%	1.583%~2.025%

## 11.Short-term bills payable

Item	December 31, 2023	December 31, 2022
Short-term bills payable - face value	\$ 118,000	\$ -
Less: Discounts	(6)	-
Short-term bills payable - net	\$ 117,994	\$ -
Interest rate per annum	1.838%	-

## 12.Post-employment benefit plans

### (1) Defined contribution plans

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

### (2) Defined benefit plan

The pension system of the Labor Pension Act applicable to the Company is a defined benefit plan managed by the government. The payment of employee pension is calculated based on the length of service and the average salary of the 6 months prior to the retirement approval. The Company contributes 2% of each employee's total monthly salary for their retirement pensions, which will be deposited into the special account of Bank of Taiwan by the Supervisory Committee of Business Entities' Labor Retirement Reserve in its own name. Where the estimated balance of the special account before the end of the year is insufficient to pay the workers who are expected to meet the retirement conditions in the next year, the difference will be compensated before the end of March of the following year. The special account is managed by the Bureau of Labor Funds, Ministry of Labor and the Company has no right to influence its investment management strategy.

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Present value of the defined benefit obligations	\$ 2,078	\$ 1,968
Fair value of plan assets	<u>(2,845)</u>	<u>(2,751)</u>
Net defined benefit liabilities (assets)	<u>\$ (767)</u>	<u>\$ (783)</u>

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

	<u>2023</u>	<u>2022</u>
Present value of the defined benefit obligations at the beginning of the year	\$ 1,968	\$ 2,064
Service cost	-	-
Interest expense	28	15
Remeasurement		
Actuarial losses - experience adjustments	46	54
Actuarial gains (losses) - changes in financial assumptions	<u>36</u>	<u>(165)</u>
Present value of the defined benefit obligations at year-end	<u>\$ 2,078</u>	<u>\$ 1,968</u>

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

	<u>2023</u>	<u>2022</u>
Fair value of plan assets, at the beginning of the year	\$ 2,751	\$ 2,506
Interest income	39	18
Remeasurement		
Return on plan asset (except for the amount that includes net interest)	20	192
Employer's contribution	<u>35</u>	<u>35</u>
Fair value of plan assets at year-end	<u>\$ 2,845</u>	<u>\$ 2,751</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>2023</u>	<u>2022</u>
Service cost	\$ -	\$ -
Net interest	<u>(11)</u>	<u>(3)</u>
Total	<u>\$ (11)</u>	<u>\$ (3)</u>

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

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

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

	<u>Measurement date</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate	1.25%	1.40%
Expected increase rate of salaries	1.00%	1.00%

Sensitivity analysis of critical actuarial assumptions:

	<u>Changes in the defined benefit obligations</u>	
	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Discount rate		
Increase by 0.25%	(2.86%)	(3.01%)
Decrease by 0.25%	2.97%	3.13%
Expected increase rate of salaries		
Increase by 0.25%	2.97%	3.13%
Decrease by 0.25%	(2.88%)	(3.03%)

The Company expects to contribute NT\$35 thousand to the defined benefit plan within one year after December 31, 2023.

The average maturity period of the definite benefit obligations as of December 31, 2023 and 2022 was 11 and 12 years, respectively. The undiscounted pension benefit payment maturity analysis is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
2023	\$ -	\$ 54
2024	56	53
2025	56	52
2026	55	51
2027	53	50
2028 onward	2,190	2,086
	<u>\$ 2,410</u>	<u>\$ 2,346</u>

### 13. Equity

#### (1) Share capital of ordinary shares

	<u>December 31, 2023</u>	<u>December 31, 2022</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.

#### 14. Operating revenue

	2023	2022
Income from sales of goods	\$ 62,679	\$ 62,862
Rental income	48,881	48,869
Income from labor services	16,157	19,508
Other income	932	859
Total	<u>\$ 128,649</u>	<u>\$ 132,098</u>

15. Other income

	<u>2023</u>	<u>2022</u>
Interest income	\$ 1,269	\$ 222
Dividend income	190,282	347,383
Other income	<u>220</u>	<u>279</u>
Total	<u>\$ 191,771</u>	<u>\$ 347,884</u>

16. Other gains and losses

	<u>2023</u>	<u>2022</u>
Net exchange gain	\$ (1,591)	\$ 56
Other comprehensive income, net	<u>-</u>	<u>(241)</u>
	<u>\$ (1,591)</u>	<u>\$ (185)</u>

17. Financial costs

	<u>2023</u>	<u>2022</u>
Interest expense		
Bank borrowings	\$ 14,751	\$ 7,786
Commercial paper	1,210	2,975
Imputed interest on deposit	<u>168</u>	<u>89</u>
Total	<u>\$ 16,129</u>	<u>\$ 10,850</u>

18. Additional information on the nature of expenses

Net income includes the following items:

	<u>2023</u>	<u>2022</u>
Depreciation and amortization expense		
Depreciation of property, plant and equipment	\$ 1,394	\$ 1,611
Depreciation of investment property	5,447	5,815
Amortization of intangible assets	<u>1,490</u>	<u>1,459</u>
Total	<u>\$ 8,331</u>	<u>\$ 8,885</u>

	<u>2023</u>	<u>2022</u>
Direct operating expenses of investment property		
Direct operating expenses of investment property that generates rental income	\$ 4,530	\$ 4,722
Direct operating expenses of investment property that does not generate rental income	-	-
Total	<u>\$ 4,530</u>	<u>\$ 4,722</u>
R&D expenditures expensed when incurred	<u>\$ 3,586</u>	<u>\$ 3,525</u>

	<u>2023</u>	<u>2022</u>
Employee benefits expense		
Post-employment benefits (Note (VI).12)		
Defined contribution plans	\$ 2,303	\$ 2,350
Defined benefit plan	(11)	(3)
Salaries and bonuses	41,282	42,050
Labor and health insurance expenses	5,254	4,840
Remuneration to directors	776	792
Other employee benefit expenses	<u>1,679</u>	<u>2,153</u>
Total	<u>\$ 51,283</u>	<u>\$ 52,182</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, 2023 and 2022, the Company had no earnings available for distribution, so it did not distribute employee compensation. Disclosure of employee compensation and other information is not applicable to the Company.

## 19. Income tax

### (1) Income tax recognized in profit or loss

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

	<u>2023</u>	<u>2022</u>
Net income before tax	<u>\$ 86,352</u>	<u>\$ 211,780</u>
Income tax expense at the statutory tax rate (20%) for net income before tax	\$ 17,270	\$ 42,356
Tax effects of adjustments:		
Income from tax cessation and exemption	(38,056)	(69,477)
Effects of non-deductible expenses when determining taxable income	28	119
Generation and reversal of temporary differences	13,851	21,143
Loss carryforwards in the current period	<u>6,907</u>	<u>5,859</u>
Tax currently payable	<u>\$ -</u>	<u>\$ -</u>

### (2) Information on loss carryforwards

As of December 31, 2023, the Company's losses not yet carried forward and deadlines are as follows:

<u>Balance</u>	<u>Last year for deduction</u>
\$ 140,524 (Approved)	2024
294,658 (Approved)	2025
50,213 (Approved)	2026
53,214 (Approved)	2027
13,959 (Not yet approved)	2028
33,510 (Approved)	2029
13,337 (Not yet approved)	2030
<u>\$ 599,415</u>	

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

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Loss carryforwards	\$ 561,129	\$ 679,434
Deductible temporary difference	<u>13,582</u>	<u>11,653</u>
Total	<u>\$ 574,711</u>	<u>\$ 691,087</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.

## 20. Earnings per share

	<u>2023</u>	<u>2022</u>
Basic earnings per share	<u>\$ 0.33</u>	<u>\$ 0.81</u>

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

	<u>2023</u>	<u>2022</u>
Net profit attributed to the owners of the Company (NT\$ thousand)	<u>\$ 86,352</u>	<u>\$ 211,780</u>
Weighted average number of ordinary shares in computation of basic earnings per share (thousand shares)	<u>260,039</u>	<u>260,039</u>

## 21. Non-cash transaction

	<u>2023</u>	<u>2022</u>
Investing activities for which partial cash payments were made.		
Purchase of property, plant and equipment	\$ 214	\$ 713
Decrease in other payables	<u>553</u>	<u>74</u>
Pay cash	<u>\$ 767</u>	<u>\$ 787</u>

## 22. Material lease arrangements

As of December 31, 2023 and 2022, 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>112.12.31</u>	<u>December 31, 2022</u>
Less than 1 year	\$ 47,877	\$ 47,444
1-2 years	47,854	47,460
2-3 years	46,933	47,854
3-4 years	31,173	46,933
4-5 years	27,269	31,173
Over 5 years	283,987	311,255
Total	<u>\$ 485,093</u>	<u>\$ 532,119</u>

## 23. Capital management

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

## 24. Financial instruments

### (1) Information on fair value

① The Company's management believes that the carrying amount in financial instruments that are not at fair value are either a reasonable approximation of fair values, or their fair values 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 Company's financial instruments at fair value on a repetitive basis are as follows:

	<u>December 31, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets at FVTOCI				
Stocks	<u>\$ 2,109,953</u>	<u>\$ -</u>	<u>\$ 7,358</u>	<u>\$ 2,117,311</u>
	<u>December 31, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial Assets at FVTOCI				
Stocks	<u>\$ 3,058,871</u>	<u>\$ -</u>	<u>\$ 7,439</u>	<u>\$ 3,066,310</u>

There were no transfers between Levels 1 and 2 in 2023 and 2022.

The Company did not acquire or dispose of financial assets at Level 3 fair value in both 2023 and 2022.

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

<u>Financial asset</u>	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Financial Assets at FVTOCI	\$ 2,117,311	\$ 3,066,310
Financial assets at amortized cost (Note)	<u>270,538</u>	<u>114,450</u>
Total	<u>\$ 2,387,849</u>	<u>\$ 3,180,760</u>

Financial liability	December 31, 2023	December 31, 2022
At amortized cost		
Short-term borrowings	\$ 800,000	\$ 921,000
Short-term bills payable	117,994	-
Accounts payable	8,939	10,708
Other payables and other current liabilities	10,811	13,610
Guarantee deposits received	11,378	11,378
Total	\$ 949,122	\$ 956,696

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

### (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 exposed to currency exchange risks, 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 Exchange risk

The Company's exchange risk is primarily from time deposits in foreign currencies. The Company refers to the estimated exchange rate development reports of financial companies to estimate the appreciation of the USD to determine the time of sales.

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

Unit: thousand in each foreign currency/NT\$ thousand

December 31, 2023						
<u>Financial asset</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>Carrying amount (NTD)</u>	<u>Sensitivity analysis</u>		
				<u>Range of change</u>	<u>Impact on profit and loss</u>	<u>Impact on equity</u>
<u>Monetary item</u>						
USD	2,013	30.705	61,824	±10%	±6,182	±6,182

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

As of December 31, 2022, the foreign currency financial assets and liabilities held by the Company were not significant; therefore, there is no significant exchange rate risk expected.

#### ② Interest rate risk

The Company's interest rate risk arises from short-term borrowings with floating interest rates. The Company maintains an appropriate fixed and floating rate for portfolio and also negotiates interest rate with correspondent banks irregularly in order to manage interest rate risk. Accordingly, no 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 2023 and 2022 will increase/decrease by NT\$2,295 thousand and NT\$2,303 thousand, respectively.

#### ③ Other 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 2023 and 2022 will increase/decrease by NT\$105,866 thousand and NT\$153,316 thousand 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.

##### ① Credit 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 accounts receivable to avoid credit risk.

As of December 31, 2023 and 2022, the top three customers accounted for 96.81% and 97.74% of the Company'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 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, 2023 and 2022, the Company's undrawn financing facilities of bank loans and bills companies were NT\$972,000 thousand and NT\$969,000 thousand, respectively.

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

	December 31, 2023				Total
	Less than 30 days	31–60 days	61–90 days	Over 90 days	
<u>Non-derivative financial liabilities</u>					
Short-term borrowings	\$ 150,000	\$ -	\$ 650,000	\$ -	\$ 800,000
Short-term bills payable	117,994				117,994
Accounts payable	5,518	3,408	-	13	8,939
Other payables	3,096	4,851	-	2,703	10,650
Other current liabilities	-	161	-	-	161
Guarantee deposits received	-	-	-	11,378	11,378
	<u>\$ 276,608</u>	<u>\$ 8,420</u>	<u>\$ 650,000</u>	<u>\$ 14,094</u>	<u>\$ 949,122</u>
	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>

(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

2. Business transaction

	2023				
	<u>Operating revenue</u>	<u>Purchase</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>R&amp;D expenses</u>
Sunnyfield Shihlin	\$ 79,768	\$ 202	\$ 12,642	\$ 80	\$ -
Other related parties	-	-	97	374	4

	2022				
	<u>Operating revenue</u>	<u>Purchase</u>	<u>Selling expenses</u>	<u>Administrative expenses</u>	<u>R&amp;D expenses</u>
Sunnyfield Shihlin	\$ 83,248	\$ 131	\$ 12,158	\$ -	\$ -
Other related parties	-	-	144	290	2

	December 31, 2023				
	<u>Trade receivable</u>	<u>Other receivables</u>	<u>Prepayments</u>	<u>Accounts payable</u>	<u>Other payables</u>
Sunnyfield Shihlin	\$ 13,608	\$ -	\$ -	\$ -	\$ 1,979
Sunshine Shihlin	-	7,100	-	-	-
Shihlin Environment	-	8	-	-	-
Other related parties	-	-	38	-	-

	December 31, 2022				
	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	-	-

### 3. Financing status

	2023				
	Maximum amount	Ending balance	Amount in provision of loss allowance	Interest Rate	Total interest income for the current period
Shihlin Environment	\$ 22,350	\$ 22,350	\$ -	1.838%~1.868%	\$ 27
	2022				
	Maximum amount	Ending balance	Amount in provision of loss allowance	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

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

4. The agricultural land is temporarily registered under the name of a related party, and its protection measures are detailed in Note (VI).8.

## 5. Remuneration to key management personnel

	2023	2022
Short-term benefits	\$ 2,617	\$ 2,633
Post-employment benefits	101	101
	<u>\$ 2,718</u>	<u>\$ 2,734</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:

	December 31, 2023	December 31, 2022
Property, plant and equipment:		
Land	\$ 2,286	\$ 3,003
Investment property:		
Land	29,322	28,604
Building	19,069	23,219
	<u>48,391</u>	<u>51,823</u>
Total	<u>\$ 50,677</u>	<u>\$ 54,826</u>

## (IX) Significant Contingent Liabilities and Unrecognized Commitments

- 1.As of December 31, 2023 and 2022, the amount of guaranteed notes issued by the Company for bank borrowings was NT\$1,690,000 thousand and NT\$1,490,000 thousand, respectively.
- 2.As of December 31, 2023 and 2023, the amount in guarantees provided by the Company to the subsidiary Sunshine Shihlin Development Co., Ltd. for bank borrowings was NT\$800,000 thousand. The amount drawn was NT\$300,000 thousand.
- 3.As of December 31, 2023, for the outsourcing construction contracts signed by the Company, the contract total amount was NT\$25,547 thousand, among which the construction amount already paid was NT\$3,682 thousand.

(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

2023

Table 1

Unit: NTD 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 loss allowance	Collateral		Limit of financing for individual borrowers (Note 1)	Total limit of financing (Note 2)
													Name	Value		
0	Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Other receivables	Yes	\$300,000	\$300,000	\$22,350	1.838-1.868	Need for short-term financing	-	Operating capital	-	-	-	\$860,293	\$1,720,586

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

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

Shihlin Paper Co., Ltd. and its Subsidiaries  
Endorsement/ guarantee provided  
2023

Table 2

Unit: NTD 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	-	18.60%	\$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	21.59%	\$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 and 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 and guarantee provided to external parties is limited to no more than twice the Company's paid-in capital.
3. The total amount of endorsement and guarantee by the Company and its subsidiaries as a whole and the amount of endorsement and guarantee to a single enterprise shall not exceed 12 times the Company's paid-in capital.

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

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

Shihlin Paper Co., Ltd. and its Subsidiaries  
 Marketable Securities Held at Year-End (excluding investment in subsidiaries, associates, and joint venture equity)  
 December 31, 2023

Table 3

Unit: NTD thousand

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	End of the year			
				Shares/Units	Carrying amount	Shareholding percentage	Fair value
Shihlin Paper Co., Ltd.	Stocks of Wan Hai Lines Ltd.	Substantive related party	Financial assets at FVTOCI - Current	37,887,724	2,083,825	1.35%	2,083,825
	Stocks of China Development Financial Holding Corporation	-	Financial assets at FVTOCI - Current	114,445	1,436	0.00%	1,436
	Stocks of First Financial Holding Co., Ltd.	-	Financial assets at FVTOCI - Current	278,550	7,632	0.00%	7,632
	Stocks of Far Eastern International Bank Co., Ltd.	-	Financial assets at FVTOCI - Current	99,240	1,256	0.00%	1,256
	Stocks of Cathay Financial Holdings Co., Ltd.	-	Financial assets at FVTOCI - Current	184,466	8,440	0.00%	8,440
	Stocks of Chia Hsin Cement Corporation	-	Financial assets at FVTOCI - Current	69,508	1,324	0.01%	1,324
	Stocks of China Bills Finance Corporation	-	Financial assets at FVTOCI - Current	400,000	6,040	0.03%	6,040
	Stocks of Taiwan Felt Co., Ltd.	-	Financial Assets at FVTOCI - Non-Current	3,330	7,358	4.17%	7,358
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	71,173.20	1,053	-	1,053

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

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

2023

Table 4

Unit: NTD thousand

Investor	Investor Company	Location	Main Businesses and Products	Investment Amount		Shares held at year-end			Profit or loss on investee for the current period	Profit or loss on investment recognized	Remarks
				End of the period	End of Last Year	Shares	Ratio	Carrying amount			
Shihlin Paper Co., Ltd.	Shihlin Environment Corporation	Taipei City	Investment and development	115,075	115,075	11,500,000	100	123,576	84	84	
	Sunshine Shihlin Development Co., Ltd.	Taipei City	Investment and development	3,806,419 (Note 1)	3,806,419	200,100,000	100	2,560,880	-38,718	-38,718	
	Sunnyfield Shihlin Co., Ltd.	Taipei City	Wholesale of daily necessities	300,000	300,000	30,000,000	100	52,347	-29,686	-29,672	
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	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, 2023

Table 5

Name of major shareholder	Shares	No. of shares held	Shareholding percentage
Wan Hai Charitable Foundation		18,150,259	6.97%
Tai Chuan Investment Co., Ltd.		17,986,525	6.91%
Yeong Yi Asia Corp.		16,521,434	6.35%

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

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

**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. Review and Analysis of Financial Position and Financial Performance, and Risks

### I. Financial Position

Unit: NTD thousand

Item \ Year	2023	2022	Difference		Description
			Amount	%	
Current assets	2,446,042	3,338,717	(892,675)	(26.74)	1
Property, Plant and Equipment	1,717,729	1,635,475	82,254	5.03	
Intangible asset	5,292	6,866	(1,574)	(22.92)	2
Other assets	4,540,061	4,317,230	222,831	5.16	
Total assets	8,709,124	9,298,288	(589,164)	(6.34)	
Current liabilities	2,510,685	2,422,469	88,216	3.64	
Non-current liabilities	1,896,974	1,711,645	185,329	10.83	
Total liabilities	4,407,659	4,134,114	273,545	6.62	
Equity attributable to owners of parent	4,301,465	5,164,174	(862,709)	(16.71)	
Share capital	2,600,391	2,600,391	0	0.00	
Capital surplus	0	0	0	0.00	
Retained earnings	137,783	51,493	86,290	167.58	3
Other equity interest	1,563,291	2,512,290	(948,999)	(37.77)	1
Treasury stock	0	0	0	0.00	
Non-controlling interests	0	0	0	0.00	
Total Equity	4,301,465	5,164,174	(862,709)	(16.71)	

Description of significant changes:

1. The decrease in current assets and other equities is mainly due to the decrease in unrealized gains from financial assets at fair value through other comprehensive income held at the end of the period.
2. The decrease in intangible assets is mainly due to amortization.
3. The increase in retained earnings is mainly due to the net profit after tax in the current period.

## II. Financial performance

Unit: NTD thousand

Item \ Year	2023	2022	Difference		Description
			Amount	%	
Operating revenue	171,105	165,058	6,047	3.66	
Operating costs	86,151	88,913	(2,762)	(3.11)	
Gross operating profit	84,954	76,145	8,809	11.57	
Operating expenses	149,610	179,369	(29,759)	(16.59)	
Operating losses	(64,656)	(103,224)	38,568	(37.36)	1
Non-operating revenue and expense	151,008	315,004	(163,996)	(52.06)	2
Net profit (loss) before tax	86,352	211,780	(125,428)	(59.23)	2
Net income ( loss ) from continuing operations	86,352	211,780	(125,428)	(59.23)	2
Loss on discontinued operations	-	-	-	-	
Net profit (loss) for the current period	86,352	211,780	(125,428)	(59.23)	2
Other comprehensive income (net of tax)	(949,061)	(3,504,723)	2,555,662	(72.92)	3
Total comprehensive income (loss) for the current period	(862,709)	(3,292,943)	2,430,234	(73.80)	3
Net profit attributable to the owners of the parent company	86,352	211,780	(125,428)	(59.23)	3
Net profit attributable to non-controlling interests	-	-	-	-	
Comprehensive income (loss) attributable to owners of the parent company	(862,709)	(3,292,943)	2,430,234	(73.80)	3
Total comprehensive income (loss) attributable to non-controlling interests	-	-	-	-	
Earnings per share	0.33	0.81	(0.48)	(59.26)	2

### Description of significant changes:

1. The decrease in operating profit or loss is mainly due to the increase in revenue from rooms, rental income and decrease in costs.
2. The decrease in non-operating income and expenses, net profit before tax, net profit of continuing operations, net profit in the current period, and earnings per share is mainly due to the decrease in dividend income received in the current period compared to the previous period.
3. Other comprehensive income ( after tax ) , total comprehensive income, net profit attributable to the shareholders of the parent company, and total comprehensive income attributable to the parent Due to the decrease in unrealized loss of financial assets measured at fair value.

### 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	Annual cash inflows ( outflows )	The amount of cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
175,393	136,868	(125,537)	186,724	None	None

1. Analysis of changes in cash flow for the year:

(1) Operating activities: The net cash inflow of NTD 136,868 thousand was mainly due to the dividend income received in the current period.

(2) Investing activities: The net cash outflow was NTD 303,557 thousand, mainly due to the construction of the hotel in Warehouse No. 5.

(3) Financing activities: The net cash inflow of NTD 178,020 thousand was mainly due to the financing of the hotel from the bank for the construction of Warehouse 5.

2. Remedial measures for insufficient cash and analysis of liquidity : 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	Annual cash inflows ( outflows )	The amount of cash surplus (deficit)	Remedial measures for cash deficit	
				Investment plan	Financial plan
186,724	(80,063)	4,000	110,661	None	Financing

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

The expenditure on the hotel under construction in 2023 was approximately NTD 309,746 thousand, which was invested by bank loans and funds generated from the operation.

### 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 Group's interest rate risk arises from long-term and short-term borrowings with floating interest rates. The Group manages interest rate risk by maintaining an appropriate mix of fixed and floating interest rates and by negotiating interest rates with its bankers from time to time. Therefore, it does not use derivative financial instruments to manage interest rate risk.

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

The company's exchange rate risk mainly comes from foreign currency time deposits. The company refers to the financial industry's forecast exchange rate trend reports and estimates the appreciation of the US dollar to determine the timing of sales.

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 divided its assets to Sunshine Shihlin Development Co., Ltd. for business needs. As of the end of 2023, the Company had endorsed guarantees for NTD 800,000 thousand and the actual amount used was NTD 300,000 thousand.

In 2023, the subsidiary Shilin Environment and Purification Co., Ltd. completed the stake-out inspection for the No. 5 Warehouse and Hotel urban renewal project for the 2023. Due to business needs, the limit of funds loaned to the subsidiary was NTD 300,000 thousand, and the actual amount used was NTD 22,350 thousand.

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

Projects in the recent years	Current progress	Estimated additional investment of R&D expenses
New product development and testing of Baby Lion and Forest Beauty	The planning of related products of the two brands includes various product proofing and testing, as well as related tests on product properties, chemistry, efficacy and other related tests.	NTD 424 thousand
Review and registration of exported products	Application for cosmetic product registration and foreign trade mark application in China, Europe, America and Southeast Asia	NTD 256 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**

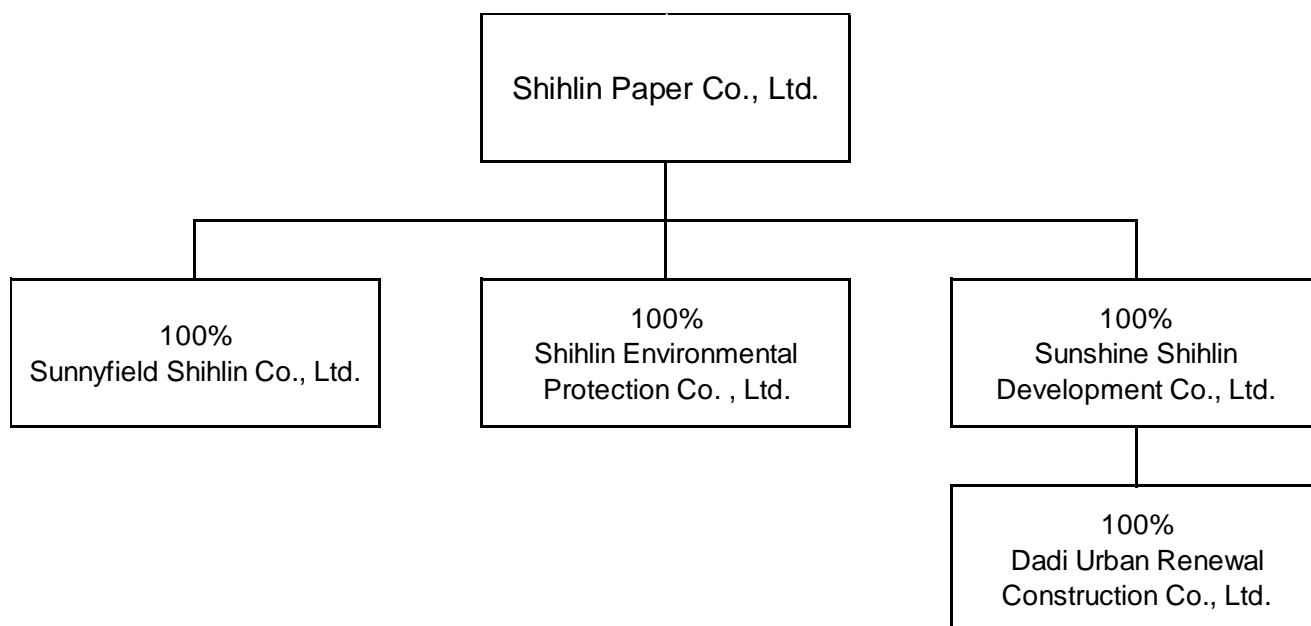
None

## Eight. Special Notes.

### I. Relevant Information on Affiliates

#### (I) Affiliation Report

##### 1. Overview of Affiliates: Organizational Chart of Affiliates



##### 2. Basic information on each affiliate

Unit: NTD

Company Name	Date of incorporation	Address	Paid-in capital	Main business or products
Shihlin Environment Corporation	November 22, 1988	3F, No.138, Dadong Road, Shilin District, Taipei City	115,000,000	Investment and development
Sunshine Shihlin Development Co., Ltd.	December 24, 2001	No. 31, Fude Rd., Shilin Dist., Taipei City	2,001,000,000	Investment and development
Da Di Urban Renewal Construction Co., Ltd.	November 19, 2009	No. 31, Fude Rd., Shilin Dist., Taipei City	1,000,000	Urban renewal and reconstruction
Sunnyfield Shihlin Co., Ltd.	November 24, 2016	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. New towns and new community development business.
	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. Development of specific zones
	2. Investment in construction of public works.
	3. New towns and new community development business.
	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. New towns and new community development business.
	5. Urban renewal and reconstruction.
	6. Real estate trading and leasing industry.

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

Unit: NTD Thousand; Share; %

Company Name	Title	Name or name of legal representative	Number of shares held	
			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-Ru 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 %
	Director	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-Ru 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: NTD thousand

Company Name	Capital Amount	Total assets	Total liabilities	Net worth	Operating revenue	Operating gains or losses	Current profit and loss (after tax)	Earnings per share (NTD) (after tax)
Shihlin Environment Corporation	115,000	503,147	379,572	123,575	0	-200	84	0.01
Sunshine Shihlin Development Co., Ltd.	2,001,000	5,638,628	3,077,748	2,560,880	58,211	-14,915	-38,718	-0.19
Sunnyfield Shihlin Co., Ltd.	300,000	70,619	16,839	53,780	64,273	-30,163	-29,686	-0.99
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**

In 2023 (from January 1, 2023 to December 31, 2023) The companies included in the consolidated financial statements are the same as those that should be included in the preparation of the consolidated financial statements of the parent and subsidiary companies under IFRS 10, and the relevant information to be disclosed in the consolidated financial statements of affiliated companies is disclosed in the aforementioned consolidated financial statements of the parent and subsidiary companies The disclosure has been made, and the Company shall not prepare separate consolidated financial statements of affiliated companies.

Sincerely,

Company Name: Shihlin Paper Co., Ltd.

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

March 13, 2024

(IV) Affiliation Report: None

**II. Private placement of securities in the last year up till the publication date of this annual report :**

None

**III. Holding or disposal of the Company's shares by subsidiaries in the last year up till the publication date of this annual report :**

None

**IV. Other supplementary information :**

None

**V. In the most recent year and up to the publication date of this annual report, any occurrences of events defined under Subparagraph 2, Paragraph 3, Article 36 of the Securities and Exchange Act that significantly impacted shareholders' equity or security prices :**

None





Person in charge of Shihlin Paper Industry  
Co., Ltd.: Tai Shih Trading Co., Ltd.