

SHIHLIN DEVELOPMENT COMPANY LIMITED
Minutes of 2022 Annual General Shareholders Meeting

Time & Date : 9:00 a.m. on June 10, 2022

Location : B1F., No. 88, Sec. 6, Zhongshan N. Rd., Taipei City (Landmark Club)

Total shares represented by shareholders present in person or by proxy: 154,292,276 shares (including 14,501,132 shares casted electronically), percentage of shares held by shareholders present in person or by proxy: 68.15%

Attendees: Director : Hsu, Yu-Shan 、Yeh, Chi-Chao

Independent Director :Wang, Chia-Kun 、Kuo, Chia-Wen 、 Shen, Ching-Mao

General Manager : Lin, Hsin-Cheng 、Sunshine Law Firm : Lawyer HE,ZU-SHUN

Certified Public Accountant, KPMG Certified Public Accountants: HUANG,XIN-TING.

Chairman: Mr. Hsu, Yu-Shan, Chairman of the Company

Minutes Taker: Sammi Lin

Meeting Commencement Announced: The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

1. Chairman's Remarks (omitted)

2. Report Items

Motion 1

Reason: 2021 business report. Please review.

Description: The Company's 2021 business report and 2022 business outlook. Please refer to the Annex 1 of this Handbook. Please review.

(Questions raised by shareholders and the management's responses were omitted)

Motion 2

Reason: Report on the 2021 financial statements reviewed by the Audit Committee. Please review.

Description: A review report has been submitted with respect to the Company's 2021 financial statements reviewed by the Audit Committee. Please refer to the Annex 2 of this Handbook. Please review.

(Questions raised by shareholders and the management's responses were omitted)

Motion 3:

Reason: Report on the state of secured corporate bonds issued by the Company in 2021. Please review.

Description: 1.To repay loans to improve financial structure, the Board of Directors meeting held on December 23, 2021 approved to issues the first domestic secured corporate bonds of year 2021 for NT\$1,200 million.

2.The terms and matters in relation to the issuance of the corporate bonds have been announced on the MOPS.

3.The issuance of the corporate bonds was applied to the Taipei Exchange (TPEx) and deemed effective by Order Letter Zheng-Gui-Zhai-Zi No. 11000143741 dated January 3, 2022. Trading of securities on the TPEx and TPEx Electronic Bond Trading System was approved starting January 6, 2022 by Order Letter Zheng-Gui-Zhai-Zi No. 11100001832 dated January 12, 2022. Please review.

(Questions raised by shareholder and the management's responses were omitted)

3. Approval Items

Motion 1 Proposed by the Board of Directors

Subject: Revenues & expenditures for the 2021 business report and financial statements.

Description: 1. The Company's 2021 standalone financial statements and consolidated financial statements have been prepared by the Company and have been audited by CPAs Chen, Tsung-Che and Huang, Hsin-Ting of KPMG Taiwan. An audit report has been issued and submitted to the Audit Committee for review alongside the business report.

2. For the Company's 2021 business report, please refer to the Annex 1 of this Handbook; for standalone financial statements, consolidated financial statements and CPAs' review report, please refer to the Annex 3 of this Handbook. Please acknowledge.

Voting Results: Shares represented at the time of voting: 154,292,276

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	141,554,970 votes	91.74 %
Disapproval votes:	365,744 votes	0.23 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,371,562 votes	8.01 %

Resolution: the proposal was approved after voting.

Motion 2 Proposed by the Board of Directors

Subject: A motion to make up the loss in Year 2021.

Descriptions: 1. Here at the Company, the loss at the beginning of the term pending to be made up amounted to NT\$310,227,592 ; less: NT\$24,264,526 as changes in the equity owned with subsidiaries; less: NT\$57,140 disposal of the equity instruments measured based on the fair value through other comprehensive profit and/or loss; less: NT\$102,572,693 as net loss after tax in the current fiscal year; plus: Other comprehensive profit and/or loss-NT\$59,004 as the change in the current term of the remeasured ascertained welfare plan. The accumulated loss pending to be made up in the present term came to NT\$437,062,947.

2. As the Company had accumulated losses as of 2021, no dividends are intended to be distributed.

3. Please refer to the Annex 4 of the present Handbook, i.e. the Table of Loss to be Made up for acknowledgement.

Voting Results: Shares represented at the time of voting: 154,292,276

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	141,560,927 votes	91.74 %
Disapproval votes:	365,901 votes	0.23 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,365,448 votes	8.01 %

Resolution: the proposal was approved after voting.

4. Discussion Items

Proposed by the Board of Directors

Subject: Amendment to “Procedures for the Acquisition or Disposal of Assets.”

Descriptions: 1. The motion is duly proposed in accordance with Letter Jin-Guan-Zheng-Fa-Zi 1110380465 dated January 28 2022.

2. The contents of the key amendment are as enumerated below (Please refer to the key contents below):

(1) To strengthen management over the Employee with interested parties A case of transaction with a related party in an amount in excess of 10% of the Company's total assets shall be proposed to the shareholders' meeting for approval beforehand. A case of such transaction with the parent company or between subsidiaries is, nevertheless, exempted from being proposed to the shareholders' meeting for approval.
(2) Disclosure of the transaction information is eased up With the amendment, it is expressly provided that a case of buy/sale of foreign public bonds in credit rating level not lower than the domestic country's sovereign rating is exempted from public announcement.
(3) Upgrade of the quality of the written opinions offered by an outsourced expert It is expressly provided that an outsourced expert who issues written opinions shall faithfully comply with the self-discipline specifications of his or her respective trade association. The relevant wording is deleted accordingly.

3. For Comparative Table of Contents of the Pre-Amendment and Post-Amendment, please refer to the present Handbook (Annex 5). The motion is duly proposed for discussion.

(Questions raised by shareholders and the management's responses were omitted)

Voting Results: Shares represented at the time of voting: 154,292,276

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	141,590,931 votes	91.76 %
Disapproval votes:	360,770 votes	0.23 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,340,575 votes	7.99 %

Resolution: the proposal was approved after voting.

5. Election Item

Subject: Motion on overall reelection of the Company's directors in full.

Descriptions: 1. The tenure of office of the Company's incumbent directors is going to expire by June 17, 2022. As required by law, an overall reelection shall be conducted in the annual general meeting of Year 2022.

2. As required under Article 14 of the Company's Articles of Incorporation, the Company shall have 7–9 directors while the Board of Directors is authorized with plenipotentiary power to determine the total number of directors. In the new term of the Board of Directors, a seat of director is newly increased, changing the total of the current seven directorship seats (including three independent directors) into eight directorship seats (including three independent directors). The newly elected directors shall take office forthwith upon being elected with a three-year tenure of office starting from June 10, 2022 until June 9, 2025.

3. The Company's directors shall be elected under the candidate nomination system. Shareholders shall elect out of the list of the director candidates. For the list of the director candidates, please refer to Annex 6 of the present Handbook. The motion is duly proposed into election process.

Election Results: The list of the newly elected directors (including independent directors) with votes received is as follows:

Title	Name	Votes Received
Director	Shunlin Investment Co., Ltd. Representative: Hsu, Yu-Shan	180,872,487
Director	Li, Chang-Lin	168,803,353
Director	Xiemei Industrial Co., Ltd. Representative: Yeh, Chi-Chao	146,358,650
Director	Ambassador Investment Corp. Ltd. Representative: Li, Ying-Chu	113,301,975
Director	Lin, Hsin-Cheng	142,642,152
Independent Director	Wang, Chia-Kun	126,789,156
Independent Director	Kuo, Chia-Wen	126,768,518
Independent Director	Chen, Chia-Hsiu	126,764,299

6. Other Items

Subject: A motion to lift the newly elected directors and representatives thereof from prohibition of business strife.

- Descriptions:
1. As expressly provided for in Article 209 of the Company Act, a newly elected director of the Company who does anything in investment or engaging in an act similar to the scope of the Company's business lines for himself or herself or on behalf of another person shall explain to the meeting of shareholders the essential contents of such an act and obtain the approval in the very premise without being harmful to the Company's interests:
 2. For the contents to lift the Company's candidates of directors (including independent directors) of Year 2022 from prohibition of business strife, please refer to Annex 7 of the present Handbook. The very targets to be lifted from prohibition of business strife shall, nevertheless, be confined to the directors (including independent directors) substantially elected. According to law, the motion is herewith proposed to the shareholders' regular meeting for an approval to lift the newly elected directors and the representatives thereof from prohibition of business strife.

Voting Results: Shares represented at the time of voting: 154,292,276

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	141,618,987 votes	91.78 %
Disapproval votes:	320,698 votes	0.20 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,352,591 votes	8.00 %

Resolution: the proposal was approved after voting.

7. Extemporaneous Motion:

(Questions raised by shareholder and the management's responses were omitted)

8. Meeting Adjourned: June 10, 2022, 10:48 AM

[Annex I]

Shihlin Development Company Limited 2021 Business Report

Dear Shareholders,

First of all, I would like to express my gratitude to you all, ladies and gentlemen as our shareholders, for your continuous support during the past year. Our 2021 operating results and 2022 business outlook are as follows:

I. 2021 Operating Results

(I) Business plan implementation results

The operating revenue recognized for 2021 totaled NT\$736,271 thousand.

(II) Budget implementation:

Unit: NT\$ thousand

Item	2021 actual number	2021 forecasted number	Achievement rate %
Operating revenue	736,271	Financial forecasts not published	Not applicable
Operating costs	(595,806)		
Gross profit	140,465		
Operating expenses	(328,570)		
Non-business income (expenditures)	40,351		
Net loss before tax	(147,754)		

(III) Analyses into financial revenues and expenditures and profitability

Unit: NT\$ thousand

	Year	2021	2020
Financial income and expenditures	Net operating income	736,271	369,550
	Gross profit	140,465	50,305
	Net loss after tax	(151,320)	(61,400)

	Year		2021	2020
Profit ability	Return on assets (%)		(1.63)	(0.82)
	Return on shareholders' equity (%)		(10.52)	(6.19)
	As a percentage of paid-in capital ratio (%)	Operating profit	(8.31)	(21.47)
		Income before tax	(6.53)	(4.64)
	Profit margin (%)		(20.55)	(16.61)
	Earnings per share (NT\$)		(0.64)	0.11

(IV) Research and development work

We hold a firm grasp of the real estate market and can carefully evaluate the location of the product, features of the surrounding environment, and the needs of consumers, while developing plans for simple designs that live side by side with the environment. We also choose quality architectural teams and follow all applicable construction laws to plan our buildings, integrating aesthetics and practical functions to provide consumers with long-term housing that is "100% space efficient." In addition, the Company will carry out research associated with urban renewal, commercial real estate, and affordable housing in conjunction with future continuous development.

II. Summary of 2022 business plan

(I) Business policy:

1. The Company launched a pre-construction sale project in 2021 which has been sold up well up to our anticipated goal. On the other hand, nevertheless, the total land required for our construction projects is a bit below our requirements. We shall, therefore, accelerate our pace in acquiring large-scale plots in downtown areas of Taipei City ready for urban renewal development to assure stable business operation of the Company. In Year 2021, we successfully obtained and developed three urban renewal projects and successfully implemented the urban renewal programs.
2. Our strategy for land development will focus on purchasing land in the Greater Taipei area, supplemented by the joint construction of dangerous and old buildings as well as contracting urban renewal projects. At present, although our products are primarily residential buildings, we will keep striving for commercial and factory office projects.
3. We will modify and refine our product positioning targeting framework and continue to monitor environmental changes in demographic structure/family composition/aging/pandemic while developing work methods to prevent the outbreak. Introducing universal designs to create products that meet customer needs.
4. Aiming at the construction industry related products which are characterized by quite prolonged production cycles, we shall try to accelerate acquirement of construction licenses into commencement of the Projects as soon as we acquire the required land.
5. Strict quality and cost control with stringent budget management and a robust audit system to reduce cost and increase return on investment for efficient operations management. Implement operations engineering standardization for operations to thoroughly master engineering quality and strictly control the progress to improve quality and technology.
6. Meet customer needs and strengthen after-sales service, reinforce the service skills of customer service and sales personnel, establish a customer service system, and provide all-inclusive after-sales service and regular maintenance to increase customer satisfaction and trust.
7. Pay attention to updates and research on laws and regulations on par with government guidelines to adopt conservative strategies and ensure the rights and interests of shareholders.
8. Aiming at the Company requirements in long-term working capitals toward acquirement of land into urban renewal developments, the Company successfully completed capital increase through cash injection in total amount of NT\$900 million in 2021 and further successfully issued NT\$1.2 billion corporate bonds, tremendously upgrading the Company's financial structure to suffice the long-term working capitals for the Company and, in turn, successfully evade the fluctuation of the short-term interest rates.

(II) Projected sales volume and basis:

Project launched for sales

Project name	Location/base area	Description
Lin-Yi-Ruo-Zhuo	Zhongzheng District, approximately 131 <i>ping</i> (433 square meters)	The aggregate total sale amount might be approximately NT\$670 million, with 50% of which had been sold out during the latent sales period. The entire project was completed and delivered to buyers in 2021. Subsequently as the market status may justify, we shall flexibly adjustment sales strategies.
Jing-An-Shu-Yu	Tianmu, approximately 505 <i>ping</i> (1669.4 square meters)	This project has been sold out, with a total sales amount of NT\$1.1 billion and is expected to be completed in 2024.
Yang-Ming-Zhi-Yuan	Shipai, approximately 488 <i>ping</i> (1613.2 square meters)	This project has been sold out, with a total sales amount of NT\$1 billion and is expected to be completed in 2024.

Mei-Hao-Ri-An	Tianmu, approximately 173 <i>ping</i> (571.9 square meters)	This project has been sold out, with a total sales amount of NT\$0.3 billion and is expected to be completed in 2024.
Cheng-Xin-Yao-Yao	Datong District, approximately 1,009 <i>ping</i> (3335.5 square meters)	The aggregate total sales might be approximately NT\$4.8 billion. In 2021 through open sales to public, we already accomplished 50% of the total target. Subsequently we shall flexibly adjust the sales strategies as the market status may justify. The entire Project is scheduled to be completed and delivered to buyers by 2026.

Looking into 2022, we will continue to sell the projects as mentioned above, as well as proactively promoting urban renewal projects in BiHu Section in NeiHu District, Anhe Road and Rui'an Street in Da'an District, as well as prime locations in Taipei City and New Taipei City.

(III) Production and sales policies:

1. Production strategy-

- (1) Seek locations and products with good development prospects, convenient transportation links and strong value-added potential to gradually expand land development outside Taipei City and New Taipei City.
- (2) There are currently only a small number of commercial/factory office projects. However, we will be able to increase their proportion to meet market demand and increase profitability when suitable opportunities arise.
- (3) Meticulously plan and design acquired land based on regional characteristics and consumer needs.
- (4) Carefully select building materials and prioritize quality to improve living functions, increasing the added value of our products.
- (5) Continue to manage "Urban renewal, dangerous and old buildings" projects in prime locations in the city on par with the government's incentives for urban renewal and the Statute for Expediting Reconstruction of Urban Unsafe and Old Buildings, to maintain stable projects in prime locations.

2. Sales strategy-

- (1) We carry out pre and off-plan sales, capturing homeownership and self-occupied customers to ensure the stability of the Company's revenue and profitability.
- (2) Our pre-sales projects aim at high price local regions; however, actual sales will be carried out at an appropriate price in accordance with current conditions to emphasize profitability and capital turnover while reducing inventory.
- (3) Inventory after sales of pre-sales projects will be sold while the project is being built so as to ensure better profit when future market prices recover.

(IV) Future development strategy, and the effect of external competition, the legal environment, and the overall business environment:

Looking back over Year 2021 in terms of real property markets, we noticed Taiwanese entrepreneurs returning to Taiwan to build factories amidst abundant working capital the entire world. The trend of low interest rates would remain unchanged within a foreseeable future. The prices of raw materials & materiel rise quite sharply, coupled with the coronavirus pandemic (COVID-19) hit, the migrant laborers are hardly available. Amidst the worldwide wafer shortage, Taiwan Semiconductor Manufacturing Co., Ltd. (TSMC) puts forth maximum possible efforts to expand plants and strive for workers. As a result, the housing prices in entire Taiwan continually rise to new highs, in particular in Tainan and Kaohsiung where the housing prices have risen even more than double.

Looking forward to the upcoming year, we are prudentially optimistic toward future. Amidst the financial policy control (notably restrictions upon third personnel household loans, corporate loans and real estate loans), taxation systems (housing & land integration tax,

housing speculator tax and other law amendments), pressure upon interest rate hike, trends in economic growth, rising construction costs and the like which are untowardly affecting real estate industry. Moreover, amidst the demographic changes along with social transition (notably low birthrates, old aging and such factors) which tend to make the housing market focus back to the fundamentals. Accordingly, those small-scale housing units in downtown regions backed up with transportation construction programs, enriched functions for daily rounds along with friendly old communities are more promising to live up to our needs.

As Greater Taipei is a comprehensive center that gathers Taiwan's political, cultural, economic, and medical communities, it is an area that would be difficult replace. The Company will proactively consider Taipei City and New Taipei City as the first choice for buying land and launching projects. Due to the fact that it is not easy to acquire land in Taipei City and New Taipei City, we will also take into account other quality redevelopment zones equipped with convenient transportation links and development projects in the distribution areas of related major construction.

Although external changes are unpredictable, we intend to use products that are on par with brand ideals and architectural concepts to continue to strictly control costs and expenses. By committing to the enhancement of the added value of our products, we can focus more on the creation of the community as a whole, increasing our competitive advantage in the market.

We uphold a sustainable management philosophy and aim to maximize the interests of shareholders and employees, while proactively investing in multiple businesses to pursue operational growth and profitability.

Thank you for your long-standing support and encouragement, we will continue to make every effort to create value for the Company and share the operating results with you.

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,
Hsin-Cheng

Chief accounting officer: Kuo,
Ying-Yen

Audit Committee's Review Report

The Company's Board of Directors has duly worked out and submitted hereto annual final account settlement papers for Year 2021 including business report, financial statement and table for surplus earnings distribution or loss make-up. Among them, the financial statements have been duly audited and contracted by KPMG Certified Public Accountants who has worked out the Audit Report. The abovementioned business report, financial statements and profit and loss appropriation table have not been found to be inconsistent after the audit by the Audit Committee, and we have therefore prepared the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Sincerely

The Company's 2022 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee: Wang,
Chia-Kun

March 21, 2022

[Annex III]

Independent Auditors' Report

To Shihlin Development Company Limited,

Auditors' opinions

We have reviewed the accompanying balance sheets of Shihlin Development Company Limited (the "Company") for the years ended December 31, 2021 and 2020 and the relevant standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, the accompanying standalone financial statements, based on our audit results and other CPAs' audit reports (see "Other matters" paragraph), present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020 and for the years then ended, and its financial performance and cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for the audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibility under those standards are further described in the paragraph "Auditor's responsibilities for the audit of the standalone financial statements". 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 are convinced, based on our audit results and other CPAs' audit report, that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the standalone financial statements of the Company for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the standalone financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the consolidated financial statements of the Company are stated as follows:

1. Income recognition

Please refer to Note 4(17) to the standalone financial statements for the accounting policy on income recognition; please refer to Note 6(20) to the standalone financial statements for the revenue from customer contracts.

Description of key audit matters:

The Company's main source of income is from the sales of real estate. As the operating income is related to the Company's operational performance, the management may recognize the revenue early or in a deferred manner in violation of the regulations to achieve the expected net income, resulting in a material misstatement of the operating income. Therefore, the testing of the income recognized is one of the important matters to be audited during our audit of the Company's consolidated financial statements.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include:

- Performed a control test on sales and payment collection cycles to evaluate how the control prevents and detects errors and fraud in income recognition;
- Performed a test on income recognition, randomly verified the relevant documents, such as real estate sales contracts and property transfer registration, and checked the sales system data with the general ledger entries to evaluate whether the Company's income recognition policy was handled in accordance with the relevant bulletins of norms.
- Performed a cut-off test and randomly checked on income from the sale of real estate to assess whether the income is recognized in an appropriate period

2. Inventory valuation

Please refer to Note 4 (7) "Inventories" to standalone financial statements for the accounting policy on inventory valuation; please refer to Note 5(1) to the standalone financial statements for the uncertainty of accounting estimates and assumptions for the inventory valuation; please refer to Note 6(5) "Inventories" to standalone financial statements for details of inventories.

Description of key audit matters:

The Company's construction inventories are an important asset for operations, accounting for about 51% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the test of inventory values is one of our key audit matters during the audit of the Company's standalone financial statements.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include: Understood the Company's internal operating procedures and accounting for subsequent inventory measurement; obtained the assessment data of the net realizable value of the Company's inventories; randomly examined the market prices of the above items, most recent nearby property transactions, the prices of the Group's recent sales contracts, or the property prices registered with the Ministry of the Interior; or obtained a case-by-case return on investment analysis table and checked and verified whether the net realizable values of the inventories were appropriate.

We also examined whether the Company's disclosure of inventory-related information was appropriate.

3. Evaluation of impairment of investments accounted for using the equity method

Please refer to Note 4(14) "Impairment of non-financial assets" to the standalone financial statements for the accounting policy on impairment of investments accounted for using the equity method; please refer to Note 5(2) to the standalone financial statements for the uncertainty of assumptions and estimates for impairment of investments accounted for using the equity method.

Description of key audit matters:

As the Company's investment in Qun Xin Properties Co., Ltd. using the equity method is an important investment and the carrying amount thereof is material, the Company's impairment assessment of the investment in Qun Xin Properties Co., Ltd. using the equity method is one of our key audit matters during the audit of the Company's standalone financial statements.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include: Reviewed the appropriateness of the management's valuation, evaluated the reasonableness key assumptions (discount rate and estimated growth rate) during the specific procedures for asset impairment assessment, and verified the correctness of the accounting methods adopted and the recoverable amount of the asset. We also assessed the appropriateness of the Company's disclosures of the impairment assessment of its investments using the equity method.

Other matters

Among the investments using the equity method recognized by the Company, some investees' financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said standalone financial statements, such investees' amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2021 and 2020 accounted for 1.77% and 3.94% of the total assets, respectively. The share of profit or loss of subsidiaries and associates using the equity method recognized for the years ended December 31, 2021 and 2020 accounted for (49.02)% and 2,039.45% of the net loss before tax and net income before tax, respectively.

Responsibilities of the management and the governing bodies for the standalone financial statements

The responsibilities of the management are to prepare the standalone financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and to maintain necessary internal control associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the standalone financial statements, the management is responsible for assessing the ability of the Company in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Company or cease the operations without other viable alternatives.

The Company's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

Our objectives are to obtain reasonable assurance on whether the standalone financial statements as a whole are free from material misstatement arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the standalone financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China.

We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the standalone financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the standalone financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are

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

5. Evaluated the overall presentation, structure, and content of the standalone financial statements (including relevant notes), and whether the standalone financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of investees using the equity method, to express an opinion on the standalone financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Company.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's standalone financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

Competent Security Authority	Financial Supervisory Commission
Approval Document No.	: Approval Document, Reference No.:
	FSC Zheng-Sheng-Zi NO. 1000011652
	Financial Supervisory Commission
	Approval Document, Reference No.:
	FSC Zheng-Sheng-Zi NO. 1100333824

March 21, 2022

Shihlin Development Company Limited
Balance Sheets
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

		<u>2021.12.31</u>		<u>2020.12.31</u>				<u>2021.12.31</u>		<u>2020.12.31</u>	
Assets		<u>Amount</u>		<u>Amou nt</u>		Liabilities and equity		<u>Amount</u>		<u>Amou nt</u>	
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$	1,581,091	24	559,720	17	2100	Short-term borrowings (Notes 6(11) and 8)	\$	2,346,723	35
1150	Notes and accounts receivable, net (Notes 6(3) and (20))		9,352	-	8,490	-	2110	Short-term notes and bills payable (Note 6(12))		299,616	4
1200	Other receivables (Note 6(4))		1,647	-	2,225	-	2130	Contract liabilities - current (Note 6(20))		455,151	7
130X	Inventories (Notes 6(5), 7, and 8)		3,412,855	51	1,592,245	50	2150	Notes payable		10,824	-
1410	Prepayment		76,241	1	52,712	2	2170	Accounts payable		186,478	3
1476	Other financial assets - current (Note 6(10))		745,003	11	425,836	13	2200	Other payables (Note 7)		105,878	2
1479	Other current assets - others		1,836	-	6,908	-	2220	Other payables - related parties (Note 7)		-	-
1480	Incremental cost of obtaining contracts - current		231,097	3	88,312	3	2250	Provision for liabilities - current (Note 6(15))		414	-
			6,059,122	90	2,736,448	85	2280	Lease liabilities - current (Notes 6(14) and 7)		6,860	-
	Non-current assets:						2310	Advance receipts		610	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))		53,874	1	82,021	3	2399	Other current liabilities - others		11,120	-
										3,423,674	51
1550	Investments using the equity method (Notes 6(6) and 7)		352,335	6	306,637	10		Non-current liabilities:			
1600	Property, plant and equipment (Note 6(7))		1,100	-	519	-	2530	Corporate bonds payable (Note 6(13))		1,595,540	24
1755	Right-of-use assets (Note 6(8))		9,584	-	13,164	-	2580	Lease liabilities - non-current (Notes 6(14) and 7)		4,221	-
1760	Net investment property (Notes 6(9))		6,809	-	6,809	-	2670	Other non-current liabilities - others		487	-
1780	Intangible assets		372	-	162	-				1,600,248	24
1980	Other financial assets - non-current (Note 6(10))		217,560	3	63,130	2		Total liabilities		5,023,922	75
1990	Other non-current assets - others		185	-	976	-		Equity: (Notes 6(17), (18), and 7)			
			641,819	10	473,418	15	3100	Share capital		2,263,791	34
							3200	Capital surplus		17,484	-
							3300	Retained earnings (deficit to be compensated)		(386,801)	(6)
							3400	Other equity interest		(217,455)	(3)
								Total equity		1,677,019	25
								Total liabilities and equity		\$ 6,700,941	100
										3,209,866	100
Total assets		\$	6,700,941	100	3,209,866	100					

(Please refer to the Notes to the Standalone Financial Statements)
Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Chairman: Hsu, Yu-Shan

Shihlin Development Company Limited

Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

		2021		2020	
		Amount	%	Amount	%
4000	Operating income (Note 6(20))	\$ 319,534	100	3,642	100
5000	Operating costs	282,683	88	2,496	68
	Gross profit	36,851	12	1,146	32
	Operating expenses (Notes 6(15) and 7):				
6100	Marketing expenses	5,702	2	44,381	1,219
6200	Management expenses	97,434	30	76,237	2,093
		103,136	32	120,618	3,312
	Net operating loss	(66,285)	(20)	(119,472)	(3,280)
	Non-operating income and expenses:				
7100	Interest income (Note 6(22))	757	-	724	20
7010	Other income (Notes 6(22) and 7)	10,699	3	4,251	116
7020	Other gains and losses (Note 6 (22))	(8)	-	(15)	-
7050	Finance costs (Notes 6(22) and 7)	(27,007)	(8)	(5,746)	(158)
7060	Share of profits or losses on subsidiaries and associates recognized using the equity method (Note 6(6))	(18,332)	(6)	134,637	3,697
	Total non-operating income and expenses	(33,891)	(11)	133,851	3,675
7900	Net income (loss) before tax	(100,176)	(31)	14,379	395
7950	Income tax expenses (Note 6(16))	2,397	1	-	-
8200	Net income (loss) in this period	(102,573)	(32)	14,379	395
8300	Other comprehensive income:				
8310	Items not reclassified to profit or loss				
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(28,147)	(9)	(3,781)	(104)
8330	Share of other comprehensive income of subsidiaries, associates, and joint ventures recognized using the equity method - items not reclassified to profit or loss	286	-	131	4
8349	Income tax related to items not reclassified	-	-	-	-
	Comprehensive income for the period	(27,861)	(9)	(3,650)	(100)
8500	Total comprehensive income for the period	<u>\$ (130,434)</u>	<u>(41)</u>	<u>10,729</u>	<u>295</u>
	Earnings (loss) per share (Note 6(19))				
9750	Basic earnings (losses) per share	<u>\$ (0.64)</u>		<u>0.11</u>	
9850	Diluted earnings (losses) per share	<u>\$ (0.64)</u>		<u>0.11</u>	

(Please refer to the Notes to the Standalone Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,
Hsin-Cheng

Chief accounting officer: Kuo,
Ying-Yen

Shihlin Development Company Limited
Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

						Other equity items	
						Unrealized gain or loss on financial assets at fair value through other comprehensive income	
	Common stock	Capital surplus	Legal reserve	Deficit to be compensated	Total		Total equity
Balance as at January 1, 2020	\$ 1,063,791	79,284	50,262	(324,692)	(274,430)	(185,856)	682,789
Net profit for the period	-	-	-	14,379	14,379	-	14,379
Comprehensive income for the period	-	-	-	86	86	(3,736)	(3,650)
Total comprehensive income for the period	-	-	-	14,465	14,465	(3,736)	10,729
Changes in other capital surplus:							
Cash capital increase -employee stock options	-	641	-	-	-	-	641
Cash capital increase	300,000	(15,738)	-	-	-	-	284,262
Balance as at December 31, 2020	1,363,791	64,187	50,262	(310,227)	(259,965)	(189,592)	978,421
Net loss for the period	-	-	-	(102,573)	(102,573)	-	(102,573)

(Please refer to the Notes to the Standalone Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Comprehensive income for the period	-	-	-	59	59	(27,920)	(27,861)
Total comprehensive income for the period	-	-	-	(102,514)	(102,514)	(27,920)	(130,434)
Changes in other capital surplus:							
Cash capital increase -employee stock options	-	435	-	-	-	-	435
Cash capital increase	900,000	(47,138)	-	-	-	-	852,862
Difference between the price of the acquisition or disposal of subsidiary's equity and the book value	-	-	-	(24,265)	(24,265)	-	(24,265)
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(57)	(57)	57	-
Balance as at December 31, 2021	\$ 2,263,791	17,484	50,262	(437,063)	(386,801)	(217,455)	1,677,019

(Please refer to the Notes to the Standalone Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Shihlin Development Company Limited
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Net income (loss) before tax for the period	\$ (100,176)	14,379
Adjustments:		
Income and expenses		
Depreciation expense	7,738	7,070
Amortization expense	376	179
Interest expense	27,007	5,746
Interest income	(757)	(724)
Dividend income	(1,224)	(12)
Share of losses (profits) on subsidiaries and associates recognized using the equity method	18,332	(134,637)
Share-based remuneration payment cost	435	641
Others	(4,405)	(3,356)
Total income and expenses	<u>47,502</u>	<u>(125,093)</u>
Changes in assets/liabilities related to operating activities:		
Net change in assets related to operating activities:		
Decrease (increase) in notes receivable	(862)	6,456
Decrease (increase) in other receivables	578	(789)
Increase in inventory	(1,810,308)	(819,916)
Increase in prepayment	(23,529)	(38,290)
Increase in other current assets	(31)	(5,146)
Decrease (increase) in other non-current assets	791	(791)
Increase in incremental cost of obtaining contracts	(75,412)	(63,440)
Increase in other financial assets	(229,462)	(173,770)
Total of net change in assets related to operating activities	<u>(2,138,235)</u>	<u>(1,095,686)</u>
Net change in liabilities related to operating activities:		
Increase in contract liabilities	178,242	191,481
Increase (decrease) in notes payable	(16,144)	2,075
Increase (decrease) in accounts payable	135,844	(2,378)
Decrease (increase) in other payables	(16,569)	15,257
Increase in provision	15	-
Increase in advance receipts	400	76
Increase in other current liabilities	1,000	1,106
Total of net change in liabilities related to operating activities	<u>282,788</u>	<u>207,617</u>
Total net changes in assets and liabilities related to operating activities	<u>(1,855,447)</u>	<u>(888,069)</u>
Total adjustments	<u>(1,807,945)</u>	<u>(1,013,162)</u>
Cash outflow from operations	(1,908,121)	(998,783)
Interest received	757	724
Dividends received	55,161	150,512
Interest paid	(28,986)	(9,498)
Income tax refunded (paid)	(2,449)	343
Net cash outflow from operating activities	<u>(1,883,638)</u>	<u>(856,702)</u>

Shihlin Development Company Limited
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

	<u>2021</u>	<u>2020</u>
Cash flow from investing activities:		
Financial assets (capital returned due to capital reduction) at fair value through other comprehensive income	-	20,000
Investments using the equity method acquired	(150,000)	-
Investments using the equity method disposed of	8,054	-
Capital returned due to capital reduction by investee using the equity method	-	91,000
Acquisition of property, plant and equipment	(858)	(415)
Acquisition of intangible assets	(586)	(241)
Increase in other financial assets	(253,090)	(79,467)
Decrease in other financial assets	8,955	1,600
Net cash inflow (outflow) from investing activities	<u>(387,525)</u>	<u>32,477</u>
Cash flow from financing activities:		
Increase in short-term borrowings	2,346,723	450,000
Decrease in short-term borrowings	(500,000)	(110,000)
Increase in short-term notes and bills payable	298,463	497,490
Decrease in short-term notes and bills payable	(498,193)	(58,067)
Issuance of corporate bonds	1,000,000	-
Increase in guarantee deposits received	439	9
Decrease in guarantee deposits received	-	(16)
Increase in other payables - related parties	-	200,000
Decrease in other payables - related parties	(200,000)	-
Lease principal repayment	(7,760)	(5,666)
Cash capital increase	852,862	284,262
Net cash inflow from financing activities	<u>3,292,534</u>	<u>1,258,012</u>
Increase in cash and cash equivalents for the period	1,021,371	433,787
Opening balance of cash and cash equivalents	559,720	125,933
Ending balance of cash and cash equivalents	<u>\$ 1,581,091</u>	<u>559,720</u>

(Please refer to the Notes to the Standalone Financial Statements)

Chairman: Hsu, Yu-Shan

**Managerial officer: Lin,
Hsin-Cheng**

**Chief accounting officer: Kuo,
Ying-Yen**

Shihlin Development Company Limited
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

2021	2020
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Independent Auditors' Report

To Shihlin Development Company Limited,

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Shihlin Development Company Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to collectively as the “Group”) for the years ended December 31, 2021 and 2020 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (hereinafter referred to collectively as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements, based on our audit results and other CPAs’ audit reports (see “Other matters” paragraph), present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021 and 2020 and for the years then ended and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (hereinafter referred to as IFRS), International Accounting Standards (hereinafter referred to as IAS), IFRIC Interpretations (hereinafter referred to as IFRIC) and SIC Interpretations (SIC) (hereinafter collectively referred to as “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for the audit opinion

We conducted our audits in accordance with the Regulations Governing the Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibility under those standards are further described in the paragraph “Auditor's responsibilities for the audit of the consolidated financial statements”. We are independent of the Group 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 are convinced, based on our audit results and other CPAs’ audit report, that we have acquired enough and appropriate audit evidence to serve as the basis of audit opinion.

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2021, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the consolidated financial statements of the Group are stated as follows:

I. Recognition of income from real estate, hotel rooms, and catering services

Please refer to Note 4(17) to the consolidated financial statements for the accounting policy on income recognition; please refer to Note 6(22) to the consolidated financial statements for the description of income.

Description of key audit matters:

The Group's main sources of operating income are from real estate and hotels, and the risk of material misstatement lies in the recognition of income when the control over products has not been transferred to customers. In addition, as the income from hotel rooms and catering services, due to the characteristics of the industry, is composed of a large number of small-value transactions, the risk of error is high. Therefore, the testing of the income from real estate, hotel rooms, and catering services recognized is one of the important matters to be audited during our audit of the Group's consolidated financial statements.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include:

- Performed a control test on sales and payment collection cycles for income from real estate to evaluate how the control prevents and detects errors and fraud in income recognition; performed a test on income recognition, randomly verified the relevant documents, such as real estate sales contracts and property transfer registration, and checked the sales system data with the general ledger entries to evaluate whether the Group's income recognition policy was handled in accordance with the relevant bulletins of norms; performed a cut-off test and randomly checked on income from the sale of real estate to assess whether the income is recognized in an appropriate period.

- Performed a control test on income from hotel rooms and catering services to understand the effectiveness of internal control over sales process and the design thereof and tested whether the internal control related to the timing of income recognition was effective; performed a cut-off test and randomly checked customers' bills and uniform invoices and other materials to see if they were consistent with the billing records to confirm that the income was recognized in the correct period.

2. Inventory valuation

Please refer to Note 4 (8) "Inventories" to consolidated financial statements for the accounting policy on inventory valuation; please refer to Note 5(1) to the consolidated financial statements for the uncertainty of accounting estimates and assumptions for the inventory valuation; please refer to Note 6(5) "Inventories" to consolidated financial statements for details of inventories.

Description of key audit matters:

The Group's construction inventories are an important asset for operations, accounting for about 41% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the

test of inventory values is one of our key audit matters during the audit of the Group's consolidated financial statements.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include: Understood the Group's internal operating procedures and accounting for subsequent inventory measurement; obtained the assessment data of the net realizable value of the Group's inventories; randomly examined the market prices of the above items, most recent nearby property transactions, the prices of the Group's recent sales contracts, or the property prices registered with the Ministry of the Interior; or obtained a case-by-case return on investment analysis table and checked and verified whether the net realizable values of the inventories were appropriate.

We also examined whether the Group's disclosure of inventory-related information was appropriate.

3. Evaluation of impairment of property, plant and equipment, right-of-use assets, and intangible assets

Please refer to Note 4(14) "Impairment of non-financial assets" to the consolidated financial statements for the accounting policy on asset impairment; please refer to Note 5(2) to the consolidated financial statements for the uncertainty of assumptions and estimates for asset impairment. Please refer to Notes 6(8) and (9) to the consolidated financial statements for the description of the evaluation.

Description of key audit matters:

The carrying amount of the Group's property, plant and equipment and right-of-use assets as at December 31, 2021 accounted for 19% of the total consolidated assets. As the future operating performance of the aforementioned assets is susceptible to uncertain factors, such as competition in the industry, policies, and economic environment, and the impact of the COVID-19 pandemic, estimating the recoverable amount of the aforementioned assets based on the discounted present value of future cash flows is highly uncertain. As such, the carrying amount of property, plant and equipment and right-of-use assets may be impaired. Therefore, we paid special attention to the appropriateness of the assumptions, estimates, and judgment adopted for the discounted present value of the future cash flows during the audit process.

Audit procedures:

The audit procedures we have implemented for the above-mentioned key audit matters include: Reviewed the appropriateness of the management's valuation, verified the reasonableness of the relevant parameters and key assumptions (discount rate and estimated growth rate) adopted by the management for the calculation of the recoverable amount, and confirmed the correctness of the recoverable amount. We also examined

whether the Group's disclosure of information related to impairment of assets was appropriate.

Other matters

Among the subsidiaries included in the Group's consolidated financial statements, Charter Leisure Co., Ltd.'s financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, Charter Leisure Co., Ltd.'s amounts listed in the financial statements were based on the audit report by other CPAs. Charter Leisure Co., Ltd.'s total assets as of December 31, 2021 and 2020 accounted for 1.58% and 2.82% of the total consolidated assets, respectively. Its net operating income for the years ended December 31, 2021 and 2020 accounted for 9.30% and 25.13% of the consolidated net operating income, respectively.

Among the investments using the equity method included in the Group's consolidated financial statements, the investees' financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, such investees' amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2021 and 2020 accounted for 0.86% and 1.59% of the total consolidated assets, respectively. The share in the profit or loss of associates using the equity method recognized for the years ended December 31, 2021 and 2020 accounted for (33.30)% and (460.31)% of the consolidated net loss before tax, respectively.

The Group has prepared the standalone financial statements for the years ended December 31, 2021 and 2020, for which we have issued an audit report with an unqualified opinion with the "Other matters" paragraph for reference.

Responsibilities of management and the governing bodies for the consolidated financial statements

The responsibilities of the management are to prepare the consolidated financial statements with fair presentation in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and regulations of IFRSs endorsed and issued into effect by the FSC and to maintain the necessary internal controls associated with the preparation in order to ensure that the financial statements are free from material misstatement arising from fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the ability of the Group in continuing as a going concern, disclosing relevant matters, and adopting the going concern basis of accounting unless the management intends to liquidate the Group or cease the operations without other viable alternatives.

The Group's governing bodies (including the Audit Committee) are responsible for supervising the financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from any material misstatements arising from fraud or error and to issue an independent auditors' report. Reasonable assurance is a high-level assurance but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements may arise from frauds or errors. If the amounts of misstatements, either separately or in aggregate, could reasonably be expected to influence the economic decisions of the users of the consolidated financial statements, they are considered material.

We have utilized our professional judgment and maintained professional doubt when performing the audit work in accordance with the auditing standards generally accepted in the Republic of China. We also performed the following tasks:

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.
2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to the relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an

audit opinion about the Group.

The matters communicated between us and the governing bodies included the planned scope and times of the audit and material audit findings (including any material defects in internal control identified during the audit).

We also provided the governing bodies with a declaration that we have complied with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China regarding independence and communicated with them all relations and other matters that may possibly be regarded as detrimental to our independence (including relevant protective measures).

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2021. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

Competent Security Authority	:	Financial Supervisory Commission
Approval Document No.		Approval Document, Reference No.:
		FSC Zheng-Sheng-Zi NO. 1000011652
		Financial Supervisory Commission
		Approval Document, Reference No.:
		FSC Zheng-Sheng-Zi NO. 1100333824

March 21, 2022

Shihlin Development Company Limited and Its Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

		2021.12.31		2020.12.31		Total assets					
Assets		Amount	%	Amount	%		\$	8,325,975	100	5,044,392	100
Current assets:											
1100	Cash and cash equivalents (Note 6(1))	\$	1,822,523	22	773,713	15					
1170	Notes and accounts receivable, net (Notes 6(3) and (22))		17,168	-	20,642	-					
1180	Accounts receivable - related parties, net (Notes 6(3), (22) and 7)		314	-	119	-					
1200	Other receivables (Note 6(4))		1,906	-	5,156	-					
1210	Other receivables - related parties (Notes 6(4) and 7)		-	-	3,377	-					
130X	Inventories (Notes 6(5) and 8)		3,418,283	41	1,598,472	32					
1410	Prepayment		79,967	1	57,930	1					
1476	Other financial assets - current (Notes 6(12) and 9)		779,203	9	460,036	9					
1479	Other current assets - others		3,243	-	7,754	-					
1480	Incremental cost of obtaining contracts - current		231,097	3	88,312	2					
			6,353,704	76	3,015,511	59					
Non-current assets:											
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))		80,193	1	107,818	2					
1550	Investments using the equity method (Note 6(6))		73,036	1	81,260	2					
1600	Property, plant and equipment (Notes 6(8) and (28))		455,750	6	530,833	11					
1755	Right-of-use assets (Note 6(9))		1,096,019	13	1,193,597	24					
1760	Net investment property (Notes 6(10))		6,809	-	6,809	-					
1780	Intangible assets (Note 6(11))		372	-	208	-					
1840	Deferred tax assets (Note 6(18))		9,422	-	10,254	-					
1980	Other financial assets - non-current (Notes 6(12) and 8)		250,485	3	97,095	2					
1990	Other non-current assets - others		185	-	1,007	-					
			1,972,271	24	2,028,881	41					

Shihlin Development Company Limited and Its Subsidiaries
Consolidated Balance Sheets
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

		2021.12.31		2020.12.31		Total equity	1,774,917	21	1,101,934	22	
Liabilities and equity		Amount	%	Amount	%	Total liabilities and equity	\$	8,325,975	100	5,044,392	100
Current liabilities:											
2100	Short-term borrowings (Note 6(13))	\$ 2,586,723	31	740,000	15						
2110	Short-term notes and bills payable (Note 6(14))	299,616	4	599,251	12						
2130	Contract liabilities - current (Note 6(22))	478,906	6	288,601	6						
2150	Notes payable	10,824	-	16,769	-						
2170	Accounts payable	205,091	3	73,189	1						
2180	Accounts payable - related parties (Note 7)	-	-	4,866	-						
2200	Other payables (Note 7)	140,436	2	95,601	2						
2220	Other payables - related parties (Note 7)	155	-	200,273	4						
2230	Income tax liabilities for the period (Note 6(18))	2,950	-	4,826	-						
2250	Provision for liabilities - current (Note 6(17))	3,030	-	2,906	-						
2280	Lease liabilities - current (Notes 6(16) and 7)	104,765	1	105,501	2						
2310	Advance receipts	610	-	210	-						
2399	Other current liabilities - others	13,887	-	13,261	-						
		3,846,993	47	2,145,254	42						
Non-current liabilities:											
2530	Corporate bonds payable (Note 6(15))	1,595,540	19	599,580	12						
2580	Lease liabilities - non-current (Notes 6(16) and 7)	1,104,263	13	1,193,536	24						
2640	Net defined benefit liabilities - non-current (Note 6(17))	2,443	-	2,709	-						
2650	Investment credit balance using the equity method (Note 6(6))	1,047	-	1,047	-						
2670	Other non-current liabilities - others	772	-	332	-						
		2,704,065	32	1,797,204	36						
Total liabilities		6,551,058	79	3,942,458	78						
Equity attributable to owners of the parent company (Notes 4(3) and 6(19), (20), and (21)):											
3100	Share capital	2,263,791	27	1,363,791	27						
3200	Capital surplus	17,484	-	64,187	1						
3300	Retained earnings	(386,801)	(4)	(259,965)	(5)						
3400	Other equity interest	(217,455)	(3)	(189,592)	(4)						
Subtotal of equity attributable to owners of the parent company		1,677,019	20	978,421	19						
36XX	Non-controlling interests (Note 6(19))	97,898	1	123,513	3						

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2021 and 2020

		Unit: NT\$ thousand			
		2021		2020	
		Amount	%	Amount	%
4000	Operating income (Notes 6 (22) and 7)	\$ 736,271	100	369,550	100
5000	Operating costs (Notes 6(5) and 7)	595,806	81	319,245	86
	Gross profit	140,465	19	50,305	14
	Operating expenses: (Notes 6(17) and 7)				
6100	Marketing expenses	78,963	11	109,334	30
6200	Management expenses	242,607	33	233,439	63
6450	Expected credit impairment losses	-	-	330	-
		321,570	44	343,103	93
	Net operating loss	(181,105)	(25)	(292,798)	(79)
	Non-operating income and expenses:				
7100	Interest income (Note 6(24))	1,299	-	1,616	-
7010	Other income (Note 6(24))	36,299	5	32,479	9
7020	Other gains and losses (Notes 6 (24) and 7)	(658)	-	(63,470)	(17)
7050	Finance costs (Notes 6(24) and 7)	(52,787)	(7)	(32,670)	(9)
7060	Share of profit or loss of associates recognized using the equity method (Note 6(6))	49,198	7	291,513	79
	Total non-operating income and expenses:	33,351	5	229,468	62
7900	Net loss before tax	(147,754)	(20)	(63,330)	(17)
7950	Less: Income tax expenses (benefits) (Note 6(18))	3,566	-	(1,930)	(1)
	Net loss for the period	(151,320)	(20)	(61,400)	(16)
8300	Other comprehensive income:				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	137	-	200	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(27,625)	(4)	(3,678)	(1)
8349	Less: Income tax related to items not reclassified	-	-	-	-

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Hsu, Yu-Shan

**Managerial officer: Lin,
Hsin-Cheng**

**Chief accounting officer: Kuo,
Ying-Yen**

	Other comprehensive income (net after tax) for the period	<u>(27,488)</u>	<u>(4)</u>	<u>(3,478)</u>	<u>(1)</u>
8500	Total comprehensive income for the period	<u>(178,808)</u>	<u>(24)</u>	<u>(64,878)</u>	<u>(17)</u>
	Net income (loss) for the period attributable to:				
8610	Owners of the parent company	\$ (102,573)	(13)	14,379	5
8620	Non-controlling interests	<u>(48,747)</u>	<u>(7)</u>	<u>(75,779)</u>	<u>(21)</u>
		<u>\$ (151,320)</u>	<u>(20)</u>	<u>(61,400)</u>	<u>(16)</u>
	Total comprehensive income attributable to:				
8710	Owners of the parent company	\$ (130,434)	(17)	10,729	3
8720	Non-controlling interests	<u>(48,374)</u>	<u>(7)</u>	<u>(75,607)</u>	<u>(20)</u>
		<u>\$ (178,808)</u>	<u>(24)</u>	<u>(64,878)</u>	<u>(17)</u>
	Earnings (loss) per share (Note 6(21))				
9750	Basic earnings (loss) per share (Unit: NTD)	<u>\$ (0.64)</u>			<u>0.11</u>
9850	Diluted earnings (loss) per share (Unit: NTD)	<u>\$ (0.64)</u>			<u>0.11</u>

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Hsu, Yu-Shan	Managerial officer: Lin, Hsin-Cheng	Chief accounting officer: Kuo, Ying-Yen
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Shihlin Development Company Limited and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

	Equity attributable to owners of the parent company					Other equity items			
	Share capital	Retained earnings				Unrealized gain or loss on financial assets at fair value through other comprehensive income	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
	Common stock	Capital surplus	Legal reserve	Deficit to be compensated	Total				
Balance as at January 1, 2020	\$ 1,063,791	79,284	50,262	(324,692)	(274,430)	(185,856)	682,789	199,120	881,909
Net income (loss) for the period	-	-	-	14,379	14,379	-	14,379	(75,779)	(61,400)
Comprehensive income for the period	-	-	-	86	86	(3,736)	(3,650)	172	(3,478)
Total comprehensive income for the period	-	-	-	14,465	14,465	(3,736)	10,729	(75,607)	(64,878)
Changes in other capital surplus:									
Cash capital increase -employee stock options	-	641	-	-	-	-	641	-	641
Cash capital increase	300,000	(15,738)	-	-	-	-	284,262	-	284,262
Balance as at December 31, 2020	1,363,791	64,187	50,262	(310,227)	(259,965)	(189,592)	978,421	123,513	1,101,934
Net loss for the period	-	-	-	(102,573)	(102,573)	-	(102,573)	(48,747)	(151,320)

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Comprehensive income for the period	-	-	-	59	59	(27,920)	(27,861)	373	(27,488)
Total comprehensive income for the period	-	-	-	(102,514)	(102,514)	(27,920)	(130,434)	(48,374)	(178,808)
Changes in other capital surplus:									
Cash capital increase -employee stock options	-	435	-	-	-	-	435	-	435
Cash capital increase	900,000	(47,138)	-	-	-	-	852,862	-	852,862
Disposal of subsidiary	-	-	-	-	-	-	-	(1,497)	(1,497)
Difference between the price of the acquisition or disposal of subsidiary's equity and the book value	-	-	-	(24,265)	(24,265)	-	(24,265)	24,265	-
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(57)	(57)	57	-	-	-
Increase or decrease in non-controlling interests	-	-	-	-	-	-	-	(9)	(9)
Balance as at December 31, 2021	\$ 2,263,791	17,484	50,262	(437,063)	(386,801)	(217,455)	1,677,019	97,898	1,774,917

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Shihlin Development Company Limited and Its Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	Unit: NT\$ thousand	
	2021	2020
Cash flow from operating activities		
Net loss before tax for the period	\$ (147,754)	(63,330)
Adjustments:		
Income and expenses:		
Depreciation expense	199,721	203,928
Amortization expense	424	216
Expected credit impairment losses	-	330
Interest expense	52,787	32,670
Interest income	(1,299)	(1,616)
Dividend income	(1,975)	(1,074)
Share-based remuneration payment cost	435	641
Share of profit or loss of associates recognized using the equity method	(49,198)	(291,513)
Loss on disposal and scrapping of property, plant and equipment	27	112
Loss on disposal of investment in subsidiary	630	-
Loss on reclassification of property, plant and equipment	635	909
Impairment losses on non-financial assets	-	62,837
Rent concessions	(12,788)	(6,162)
Others	(4,405)	(3,356)
Total income and expenses	184,994	(2,078)
Changes in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Net decrease in notes and accounts receivable	3,375	12,859
Increase in accounts receivable - related parties	(195)	(119)
Decrease in other receivables	661	4,265
Decrease (increase) in other receivables - related parties	432	(2,913)
Increase in inventory	(1,809,736)	(818,772)
Increase in prepayment	(22,087)	(35,109)
Increase in other current assets	(862)	(5,010)
Increase in incremental cost of obtaining contracts	(75,412)	(63,440)
Increase in other financial assets	(229,462)	(173,770)
Increase in other non-current assets	-	(822)
Total net change in assets related to operating activities	(2,133,286)	(1,082,831)
Net change in liabilities related to operating activities:		
Increase in contract liabilities	190,306	184,166
Increase (decrease) in notes payable	(16,255)	2,185
Increase (decrease) in accounts payable	137,193	(7,729)
Decrease in accounts payable - related parties	(4,866)	(1,179)
Increase in other payables	9,937	8,441
Increase (decrease) in provision	124	(1,364)
Increase in advance receipts	400	82
Increase in other current liabilities	754	1,959
Decrease in other non-current liabilities	-	(37)
Decrease in net defined benefit liability	(130)	(127)
Total net change in liabilities related to operating activities	317,463	186,397
Total net changes in assets and liabilities related to operating activities	(1,815,823)	(896,434)
Total adjustments	(1,630,829)	(898,512)
Cash outflow from operations	(1,778,583)	(961,842)
Interest received	1,320	1,620
Dividends received	62,342	154,520
Interest paid	(56,229)	(36,637)
Income tax paid	(4,440)	(1,751)
Net cash outflow from operating activities	(1,775,590)	(844,090)

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

	2021	2020
Cash flow from investing activities:		
Financial assets (capital returned due to capital reduction) at fair value through other comprehensive income	-	20,000
Net cash outflow from disposal of subsidiary	(3,321)	-
Capital returned due to capital reduction by investee using the equity method	-	91,000
Acquisition of property, plant and equipment	(7,980)	(9,047)
Disposal of property, plant and equipment	40	11
Increase in other receivables	-	(2,500)
Decrease in other receivables	2,500	2,500
Acquisition of intangible assets	(592)	(270)
Increase in other financial assets	(253,110)	(79,467)
Decrease in other financial assets	8,955	1,670
Decrease in other non-current assets	822	-
Net cash inflow (outflow) from investing activities	(252,686)	23,897
Cash flow from financing activities:		
Increase in short-term borrowings	2,586,723	690,000
Decrease in short-term borrowings	(740,000)	(210,000)
Increase in short-term notes and bills payable	298,463	597,567
Decrease in short-term notes and bills payable	(598,098)	(158,067)
Issuance of corporate bonds	1,000,000	-
Increase in guarantee deposits received	440	6
Decrease in guarantee deposits received	-	(163)
Increase in other payables - related parties	-	200,000
Decrease in other payables - related parties	(200,000)	-
Lease principal repayment	(123,295)	(128,596)
Cash capital increase	852,862	284,262
Changes in non-controlling interests	(9)	-
Net cash inflow from financing activities	3,077,086	1,275,009
Increase in cash and cash equivalents for the period	1,048,810	454,816
Opening balance of cash and cash equivalents	773,713	318,897
Ending balance of cash and cash equivalents	\$ 1,822,523	773,713

(Please refer to the Notes to the Consolidated Financial Statements)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,
Hsin-Cheng

Chief accounting officer: Kuo,
Ying-Yen

[Annex IV]

Shihlin Development Company Limited
Table for surplus earnings distribution or loss make-up
2021

Unit: NT\$

Item	Amount
Losses to be made up at opening	(310,227,592)
Less: Number of changes in the equity owned with subsidiaries.	(24,264,526)
Less: Disposal of the equity instruments measured in fair value through other comprehensive profit and/or loss.	(57,140)
Less: Net loss after tax in the year.	(102,572,693)
Add: Other comprehensive income – change in remeasurement of defined benefit plans for the period	59,004
Losses to be made up at closing	(437,062,947)

Chairman: Hsu, Yu-Shan President: Lin, Hsin-Cheng Chief accounting officer:
Kuo, Ying-Yen

[Annex V]

**Comparative Table of Contents of the Pre-Amendment and
Post-Amendment of Procedures for the Acquisition or Disposal of Assets**

Amended article	Current article	Descriptions
<p>Article 5: The limitation upon the total investment onto real property oriented to business operation use and the assets as the right to use the same as well as the negotiable securities.</p> <p>The Company and its subsidiaries may acquire assets oriented to the need of business operation and may, besides this, further invest in real property not oriented to use for business operation and the assets as the right to use the same as well as negotiable securities. The limitation of all such purchases is as enumerated below:</p> <ol style="list-style-type: none"> 1. The aggregate total of real property not oriented to use for business operation and the assets as the right to use the same shall not exceed 60% of the shareholders' equity shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 100% of the subsidiary's paid-in capital. 2. The aggregate total of investment into the long-term negotiable securities shall not exceed the shareholders' equity as shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 80% of the shareholders' equity as shown through that subsidiary's financial statement. 3. The aggregate total of investment into the short-term negotiable securities shall not exceed 60% of the shareholders' equity as shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 50% of the shareholders' equity as shown through that subsidiary's financial statement. 4. The amount of investment into the individual long-term negotiable securities shall not exceed 80% of the shareholders' 	<p>Article 5: The limitation upon the total investment onto real property oriented to business operation use and the assets as the right to use the same as well as the negotiable securities.</p> <p>The Company and its subsidiaries may acquire assets oriented to the need of business operation and may, besides this, further invest in real property not oriented to use for business operation and the assets as the right to use the same as well as negotiable securities. The limitation of all such purchases is as enumerated below:</p> <ol style="list-style-type: none"> 1. The aggregate total of real property not oriented to use for business operation and the assets as the right to use the same shall not exceed 60% of the shareholders' equity shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 100% of the subsidiary's paid-in capital. 2. The aggregate total of investment into the long-term negotiable securities shall not exceed the shareholders' equity as shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 80% of the shareholders' equity as shown through that subsidiary's financial statement. 3. The aggregate total of investment into the short-term negotiable securities shall not exceed 60% of the shareholders' equity as shown through the Company's financial statement and the same in case of a subsidiary shall not exceed 50% of the shareholders' equity as shown through that subsidiary's financial statement. 4. The amount of investment into the individual long-term negotiable securities shall not exceed 80% of the shareholders' 	<p>An amendment in coordination with the practical business operation.</p>

<p>equity as shown through the most recent financial statement of the respective company; the amount of investment into the individual other short-term negotiable securities shall not exceed 30% of the shareholders' equity as shown through the most recent financial statement of the respective company.</p> <p>The term "financial statement" as set forth above denotes the financial statement(s) of the most recent term of the Company or the subsidiary as duly <u>verified</u> or audited by a certified public accountant(s).</p>	<p>equity as shown through the most recent financial statement of the respective company; the amount of investment into the individual other short-term negotiable securities shall not exceed 30% of the shareholders' equity as shown through the most recent financial statement of the respective company.</p> <p>The term "financial statement" as set forth above denotes the financial statement(s) of the most recent term of the Company or the subsidiary as duly audited by a certified public accountant(s).</p>	
<p>Article 7: Procedures for the Acquisition or Disposal of Real Property, Equipment or Assets as the Right to Use the Same</p> <p>1. Procedure of Evaluation and Operation The Company shall acquire or dispose of real property, equipment or assets as the right to use the same exactly in accordance with these Procedures, internal control system toward real property, plant buildings and equipment in circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) In acquisition or disposal of real property, the Company shall take reference to the publicly announced current values, evaluated current values, transaction cases of neighboring real property in successful deals to resolve the terms of transaction and prices to work out analytical report and submit the same to the Chairman to be approved by the Chairman and submitted to and approved by the Board of Directors in the most recent meeting beforehand in a case less than NT\$500 million in transaction price; and shall be duly passed as resolved in the Audit Committee and Board of Directors beforehand in a case in excess of NT\$500 million. (2) In acquisition or disposal of equipment or assets as the right to use the same, the Company shall</p>	<p>Article 7: Procedures for the Acquisition or Disposal of Real Property, Equipment or Assets as the Right to Use the Same</p> <p>1. Procedure of Evaluation and Operation The Company shall acquire or dispose of real property, equipment or assets as the right to use the same exactly in accordance with these Procedures, internal control system toward real property, plant buildings and equipment in circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) In acquisition or disposal of real property, the Company shall take reference to the publicly announced current values, evaluated current values, transaction cases of neighboring real property in successful deals to resolve the terms of transaction and prices to work out analytical report and submit the same to the Chairman to be approved by the Chairman and submitted to and approved by the Board of Directors in the most recent meeting beforehand in a case less than NT\$500 million in transaction price; and shall be duly passed as resolved in the Audit Committee and Board of Directors beforehand in a case in excess of NT\$500 million. (2) In acquisition or disposal of equipment or assets as the right to use the same, the Company shall</p>	<p>An outsourced expert shall faithfully comply with the self-discipline specifications of his or her trade association. Where it already covers the procedures for implementation while a certified public accountant issues opinions, the relevant wording is deleted. Besides this, the timeframe for the construction industry to obtain the opinions from a certified public accountant is eased up to within two (2) weeks from the date on which the appraisal report is</p>

<p>handle the case by a means among price inquiry, price negotiation, price comparison or open tender subject to approval under the respective approval levels in a case below NT\$10 million; and shall be approved by the Chairman and further duly resolved and approved by the Audit Committee and Board of Directors beforehand in a case in excess of NT\$10 million.</p> <p>3. Executors In acquisition or disposal of real property, equipment or assets as the right to use the same by the Company, after the case is duly resolved and approved in accordance with the preceding Paragraph, the acquisition or disposal shall be duly executed by the Business Development and Management Department.</p> <p>4. An appraisal report for real property, equipment or assets as the right to use the same: Where the Company acquires or disposes of real property or assets as the right to use the same, except a transaction with the domestic government, by means of commissioned construction with own land, commissioned construction with leased land, or acquisition or disposal of the equipment to be used for own business operation or the assets as the right to use the same where the transaction amount is up to 20% of the Company's paid-in capital or over NT\$300 million, the Company shall acquire appraisal report from a professional appraiser before date of occurrence of the fact and shall satisfy the requirements as enumerated below: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of</p>	<p>handle the case by a means among price inquiry, price negotiation, price comparison or open tender subject to approval under the respective approval levels in a case below NT\$10 million; and shall be approved by the Chairman and further duly resolved and approved by the Audit Committee and Board of Directors beforehand in a case in excess of NT\$10 million.</p> <p>3. Executors In acquisition or disposal of real property, equipment or assets as the right to use the same by the Company, after the case is duly resolved and approved in accordance with the preceding Paragraph, the acquisition or disposal shall be duly executed by the Business Development and Management Department.</p> <p>4. An appraisal report for real property, equipment or assets as the right to use the same: Where the Company acquires or disposes of real property or assets as the right to use the same, except a transaction with the domestic government, by means of commissioned construction with own land, commissioned construction with leased land, or acquisition or disposal of the equipment to be used for own business operation or the assets as the right to use the same where the transaction amount is up to 20% of the Company's paid-in capital or over NT\$300 million, the Company shall acquire appraisal report from a professional appraiser before date of occurrence of the fact and shall satisfy the requirements as enumerated below: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of</p>	<p>obtained.</p>
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<p>the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(5) The Company may adopt restricted prices, specific prices or extraordinary prices as the very grounds for reference in pricing, while the appraisal report is unavailable in real time as backed up by a justifiable reason, the Company shall obtain the appraisal report within two (2) weeks from date of occurrence of the fact. <u>Further within two (2) weeks from the very date on which the appraisal report is</u></p>	<p>the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be <u>engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF) and</u> render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(5) The Company may adopt restricted prices, specific prices or extraordinary prices as the very grounds for reference in pricing. <u>While the appraisal report and certified public accountant opinions</u></p>	<p>An outsourced expert shall faithfully comply with the self-discipline specifications of his or her trade association. Where it already covers the procedures for implementation while a certified public accountant issues opinions, the relevant wording is deleted.</p>
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<p><u>obtained, the Company shall obtain the opinions from the certified public accountant(s) under Subparagraph (III) of the present Paragraph.</u></p> <p>(6) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>(7) Where the Company acquires or disposes of assets through an open tender from a government entity, the Company may take the relevant supporting certificate (s) of the awarded tender issued by the government entity in place of the appraisal report of the opinion of the certified public accountant(s).</p>	<p><u>as set forth under Subparagraph (3) of this Paragraph</u> are unavailable in real time as backed up by a justifiable reason, the Company shall obtain the same within two (2) weeks from date of occurrence of the fact.</p> <p>(6) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>(7) Where the Company acquires or disposes of assets through an open tender from a government entity, the Company may take the relevant supporting certificate (s) of the awarded tender issued by the government entity in place of the appraisal report of the opinion of the certified public accountant(s).</p>	
<p>Article 8: Procedures for the Acquisition or Disposal of the Investment Settlement into Negotiable Securities</p> <p>1. Procedure of Evaluation and Operation Where the Company acquires or disposes of negotiable securities, the Company shall duly handle exactly in accordance with these Procedures and the Company's Internal Control System in Terms of Investment Circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) The buys and sales of negotiable securities in the centralized trading exchange or at the business premises of securities dealers shall be duly judged and determined by the financial, accounting departments or the investment department based on the pricing facts prevalent in the markets. A case of such buy or sale shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be</p>	<p>Article 8: Procedures for the Acquisition or Disposal of the Investment Settlement into Negotiable Securities</p> <p>1. Procedure of Evaluation and Operation Where the Company acquires or disposes of negotiable securities, the Company shall duly handle exactly in accordance with these Procedures and the Company's Internal Control System in Terms of Investment Circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) The buys and sales of negotiable securities in the centralized trading exchange or at the business premises of securities dealers shall be duly judged and determined by the financial, accounting departments or the investment department based on the pricing facts prevalent in the markets. A case of such buy or sale shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be</p>	

<p>submitted in a transaction case in an amount below NT\$10 million (inclusive); and shall be further submitted to and approved by the Board of Directors in a case in excess of NT\$10 million in transaction amount.</p> <p>(2) In a case of buy and sale of negotiable securities not in the centralized trading exchange or not at the business premises of securities dealers, the financial statement of the target company duly audited and certified by a certified public accountant of the most recent term shall be obtained for reference in pricing to take into account the net worth per share, profitability and potential of development in the future. A case shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be submitted in a transaction case in an amount below NT\$50 million (inclusive); and shall be further submitted to and approved by the Board of Directors in a case in excess of NT\$50 million in transaction amount.</p> <p>3. Executors Where the Company acquires or disposes of negotiable securities, the acquisition or disposal shall be executed by the Financial Accounting Departments or the Investment Department.</p> <p>4. Expert opinion to be acquired The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300</p>	<p>submitted in a transaction case in an amount below NT\$10 million (inclusive); and shall be further submitted to and approved by the Board of Directors in a case in excess of NT\$10 million in transaction amount.</p> <p>(2) In a case of buy and sale of negotiable securities not in the centralized trading exchange or not at the business premises of securities dealers, the financial statement of the target company duly audited and certified by a certified public accountant of the most recent term shall be obtained for reference in pricing to take into account the net worth per share, profitability and potential of development in the future. A case shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be submitted in a transaction case in an amount below NT\$50 million (inclusive); and shall be further submitted to and approved by the Board of Directors in a case in excess of NT\$50 million in transaction amount.</p> <p>3. Executors Where the Company acquires or disposes of negotiable securities, the acquisition or disposal shall be executed by the Financial Accounting Departments or the Investment Department.</p> <p>4. Expert opinion to be acquired The Company acquiring or disposing of securities shall, prior to the date of occurrence of the event, obtain financial statements of the issuing company for the most recent period, certified or reviewed by a certified public accountant, for reference in appraising the transaction price, and if the dollar amount of the transaction is 20 percent of the company's paid-in capital or NT\$300</p>	
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<p>million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. However, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.</p>	<p>million or more, the company shall additionally engage a certified public accountant prior to the date of occurrence of the event to provide an opinion regarding the reasonableness of the transaction price. <u>If the CPA needs to use the report of an expert as evidence, the CPA shall do so in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ARDF.</u> However, to publicly quoted prices of securities that have an active market, or where otherwise provided by regulations of the FSC.</p>	
<p>Article 9: Procedures for the Acquisition or Disposal of Membership Certificates or Intangible Assets or Assets as the Right to Use The Same</p> <p>1. Procedure of Evaluation and Operation The Company shall acquire or dispose of membership certificates or intangible assets or assets as the right to use the same exactly in accordance with these Procedures.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit</p> <p>(1) The Company shall acquire or dispose of membership certificates with reference to the fair market price to resolve the transaction conditions and transaction prices to work out analytical report to the Chairman, to be approved by the Chairman, further submitted to and approved by the Board of Directors in the most recent meeting beforehand in a case below NT\$10 million (inclusive).</p> <p>(2) The Company shall acquire or dispose of intangible assets or assets as the right to use the same with reference to the expert appraisal report or fair market price to resolve the transaction conditions and transaction prices to work out analytical report to the Chairman, to be approved by the Chairman, further</p>	<p>Article 9: Procedures for the Acquisition or Disposal of Membership Certificates or Intangible Assets or Assets as the Right to Use The Same</p> <p>1. Procedure of Evaluation and Operation The Company shall acquire or dispose of membership certificates or intangible assets or assets as the right to use the same exactly in accordance with these Procedures.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit</p> <p>(1) The Company shall acquire or dispose of membership certificates with reference to the fair market price to resolve the transaction conditions and transaction prices to work out analytical report to the Chairman, to be approved by the Chairman, further submitted to and approved by the Board of Directors in the most recent meeting beforehand in a case below NT\$10 million (inclusive).</p> <p>(2) The Company shall acquire or dispose of intangible assets or assets as the right to use the same with reference to the expert appraisal report or fair market price to resolve the transaction conditions and transaction prices to work out analytical report to the Chairman, to be approved by the Chairman, further</p>	<p>An outsourced expert shall faithfully comply with the self-discipline specifications of his or her trade association. Where it already covers the procedures for implementation while a certified public accountant issues opinions, the relevant wording is deleted.</p>

<p>submitted to and informed to the Board of Directors in the most recent meeting beforehand in a case below NT\$100 million (inclusive). A transaction in excess of NT\$100 million in amount shall be further approved by the Board of Directors beforehand.</p> <p>3. Executors Where the Company acquires or disposes of intangible assets or the assets as the right to use the same, the acquisition or disposal shall be executed by the department involved in the use or management after the case is duly approved under the powers & authorities mentioned under the preceding Paragraph.</p> <p>4. In case of membership certificates or intangible assets or the assets as the right to use the same while the expert appraisal report indicates that the transaction amount of the membership certificates or intangible assets or the assets as the right to use the same is up to more than 20% of the Company's paid-in capital or NT\$300 million, except a transaction with the domestic government, the Company shall consult with a certified public accountant(s) to express opinions on the rationality of the transaction price before the date of occurrence of the fact.</p>	<p>submitted to and informed to the Board of Directors in the most recent meeting beforehand in a case below NT\$100 million (inclusive). A transaction in excess of NT\$100 million in amount shall be further approved by the Board of Directors beforehand.</p> <p>3. Executors Where the Company acquires or disposes of intangible assets or the assets as the right to use the same, the acquisition or disposal shall be executed by the department involved in the use or management after the case is duly approved under the powers & authorities mentioned under the preceding Paragraph.</p> <p>4. In case of membership certificates or intangible assets or the assets as the right to use the same while the expert appraisal report indicates that the transaction amount of the membership certificates or intangible assets or the assets as the right to use the same is up to more than 20% of the Company's paid-in capital or NT\$300 million, except a transaction with the domestic government, the Company shall consult with a certified public accountant(s) to express opinions on the rationality of the transaction price before the date of occurrence of the fact. The certified public accountant(s) shall duly handle that case in accordance with <u>provisions of Statement of General Auditing Procedure Gazette No. 20 published by the Accounting Research and Development Foundation (hereinafter referred to as ARDF), Republic of China.</u></p>	
<p>Article 10: Related Party Transaction Procedures</p> <p>1. Where the Company acquires or disposes of assets with a related party, other than the procedures to resolve a decision and evaluate rationality of the transaction conditions in accordance with Articles 7, 8 and 9 above, where the transaction amount is up to more than 10% of the Company's total assets, the Company</p>	<p>Article 10: Related Party Transaction Procedures</p> <p>1. Where the Company acquires or disposes of assets with a related party, other than the procedures to resolve a decision and evaluate rationality of the transaction conditions in accordance with Articles 7, 8 and 9 above, where the transaction amount is up to more than 10% of the Company's total assets, the Company</p>	<p>It expressly provides that while acquisition or disposal of assets with a related party with transaction amount up to more than 10%</p>

<p>shall, as well, obtain the appraisal report from a professional appraiser obtain opinion from a certified public accountant. The transaction of amount mentioned under the preceding Paragraph shall be duly calculated in accordance with Article 9–1. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and operation procedure Where the Company acquires or disposes of real property or the assets as the right to use the same with a related party, or acquires or disposes of assets other than real property or the assets as the right to use the same with a related party with transaction amount up to 20% of the Company’s paid-in capital, 10% of aggregate total assets or more than NT\$300 million, except a case of buy or sale of domestic bond, bonds with buy-back or sell-back conditions, subscription to or buy-back of funds in the money markets issued by the domestic securities investment trust enterprise, the Company shall submit the following data to the Audit Committee for approval before submittal to the Board of Directors for approval before execution of the transaction contract and effecting payment:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty’s relationship to the</p>	<p>shall, as well, obtain the appraisal report from a professional appraiser obtain opinion from a certified public accountant. The transaction of amount mentioned under the preceding Paragraph shall be duly calculated in accordance with Article 9–1. When judging whether a transaction counterparty is a related party, in addition to legal formalities, the substance of the relationship shall also be considered.</p> <p>2. Assessment and operation procedure Where the Company acquires or disposes of real property or the assets as the right to use the same with a related party, or acquires or disposes of assets other than real property or the assets as the right to use the same with a related party with transaction amount up to 20% of the Company’s paid-in capital, 10% of aggregate total assets or more than NT\$300 million, except a case of buy or sale of domestic bond, bonds with buy-back or sell-back conditions, subscription to or buy-back of funds in the money markets issued by the domestic securities investment trust enterprise, the Company shall submit the following data to the Audit Committee for approval before submittal to the Board of Directors for approval before execution of the transaction contract and effecting payment:</p> <p>(1) The purpose, necessity and anticipated benefit of the acquisition or disposal of assets.</p> <p>(2) The reason for choosing the related party as a transaction counterparty.</p> <p>(3) With respect to the acquisition of real property or right-of-use assets thereof from a related party, information regarding appraisal of the reasonableness of the preliminary transaction terms in accordance with Paragraph 3 of this Article.</p> <p>(4) The date and price at which the related party originally acquired the real property, the original transaction counterparty, and that transaction counterparty’s relationship to the</p>	<p>of the Company’s total assets, the Company shall submit supporting data to the shareholders’ meeting for approval beforehand.</p> <p>Provided, that a transaction with a subsidiary or among subsidiaries is not required to be submitted to the shareholders’ meeting for approval.</p>
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<p>company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p><u>Where a subsidiary of the Company that is not a domestic company listed to public engages in a transaction set forth under Paragraph 2 with the transaction amount up to more than 10% of the Company's total assets, the Company shall submit all data set forth under Paragraph 2 to the shareholders' meeting for approval before execution of the transaction contract and payments. Except a transaction case between the Company and its parent company, its subsidiary(ies) or among its subsidiaries themselves.</u></p> <p>The transaction amount mentioned under the preceding Paragraph shall be duly calculated in accordance with Article 14. The term "within one year" as set forth therein denotes the one-year period preceding the date of occurrence of the fact of the present transaction retrospectively. The part having been submitted to the <u>shareholders' meeting</u>, Audit Committee and Board of Directors for approval shall no longer be counted inclusive.</p> <p>Where the Company engages in the following transaction with its parent company, subsidiary, or a subsidiary where the Company holds 100% of outstanding shares or total capital, the Board of Directors may authorize the Chairman to go ahead first within the specified limit before reporting to the Board of Directors for retrospective</p>	<p>company and the related party.</p> <p>(5) Monthly cash flow forecasts for the year commencing from the anticipated month of signing of the contract, and evaluation of the necessity of the transaction, and reasonableness of the funds utilization.</p> <p>(6) An appraisal report from a professional appraiser or a CPA's opinion obtained in compliance with the Paragraph 1 of this Article.</p> <p>(7) Restrictive covenants and other important stipulations associated with the transaction.</p> <p>The transaction amount mentioned under the preceding Paragraph shall be duly calculated in accordance with Article 14. The term "within one year" as set forth therein denotes the one-year period preceding the date of occurrence of the fact of the present transaction respectively. The part having been submitted to the shareholders' meeting, Audit Committee and Board of Directors for approval shall no longer be counted inclusive.</p> <p>Where the Company engages in the following transaction with its parent company, subsidiary, or a subsidiary where the Company holds 100% of outstanding shares or total capital, the Board of Directors may authorize the Chairman to go ahead first within the specified limit before reporting to the Board of Directors for retrospective acknowledgement in the most recent meeting:</p> <p>A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use.</p> <p>B. Acquire or dispose of real property or the right-of-use assets that are for business use.</p> <p>Where the Company submits the case to the Board of Directors into discussion as required, the Company shall take the opinions from all independent directors into account adequately. Where an independent director objects or expresses</p>	
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<p>acknowledgement in the most recent meeting:</p> <ul style="list-style-type: none"> A. Acquisition or disposal of equipment or right-of-use assets thereof held for business use. B. Acquire or dispose of real property or the right-of-use assets that are for business use. <p>Where the Company submits the case to the Board of Directors into discussion as required, the Company shall take the opinions from all independent directors into account adequately. Where an independent director objects or expresses reserved opinion, such shall be expressly entered into the minutes of the Board of Directors.</p> <p>Where the Company obtains consent from the Audit Committee with more than one-second majority of all Committee members as further resolved in the Board of Directors, the provisions set forth under Paragraphs 3, 4 Article 16 shall <i>mutatis mutandis</i> apply.</p> <p>3. Evaluation on reasonable cost of transactions</p> <p>(1) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ul style="list-style-type: none"> A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; 	<p>reserved opinion, such shall be expressly entered into the minutes of the Board of Directors.</p> <p>Where the Company obtains consent from the Audit Committee with more than one-second majority of all Committee members as further resolved in the Board of Directors, the provisions set forth under Paragraphs 3, 4 Article 16 shall <i>mutatis mutandis</i> apply.</p> <p>3. Evaluation on reasonable cost of transactions</p> <p>(1) The Company that acquires real property or right-of-use assets thereof from a related party shall evaluate the reasonableness of the transaction costs by the following means:</p> <ul style="list-style-type: none"> A. Based upon the related party's transaction price plus necessary interest on funding and the costs to be duly borne by the buyer. "Necessary interest on funding" is imputed as the weighted average interest rate on borrowing in the year the company purchases the property; provided, it may not be higher than the maximum non-financial industry lending rate announced by the Ministry of Finance. B. Total loan value appraisal from a financial institution where the related party has previously created a mortgage on the property as security for a loan; provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties. <p>(2) Where land and structures thereupon are combined as a single property purchased or leased in one</p>	
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<p>provided, the actual cumulative amount loaned by the financial institution shall have been 70 percent or more of the financial institution's appraised loan value of the property and the period of the loan shall have been 1 year or more. However, this shall not apply where the financial institution is a related party of one of the transaction counterparties.</p> <p>(2) Where land and structures thereupon are combined as a single property purchased or leased in one transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) The public companies that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two subparagraphs of this Article shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(4) Where the Company acquires real property or assets as the right to use the same from a related party and meets one among circumstances enumerated below, the Company shall duly handle in accordance with Paragraph 2 of this Article "Procedures for evaluation and operation" to which provisions set forth under the three preceding Paragraphs shall not apply:</p> <p>A. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</p>	<p>transaction, the transaction costs for the land and the structures may be separately appraised in accordance with either of the means listed in the preceding paragraph.</p> <p>(3) The public companies that acquires real property or right-of-use assets thereof from a related party and appraises the cost of the real property or right-of-use assets thereof in accordance with the preceding two subparagraphs of this Article shall also engage a CPA to check the appraisal and render a specific opinion.</p> <p>(4) Where the Company acquires real property or assets as the right to use the same from a related party and meets one among circumstances enumerated below, the Company shall duly handle in accordance with Paragraph 2 of this Article "Procedures for evaluation and operation" to which provisions set forth under the three preceding Paragraphs shall not apply:</p> <p>A. The related party acquired the real property or right-of-use assets thereof through inheritance or as a gift.</p> <p>B. More than 5 years will have elapsed from the time the related party signed the contract to obtain the real property or right-of-use assets thereof to the signing date for the current transaction.</p> <p>C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>D. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized</p>	
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<p>C. The real property is acquired through signing of a joint development contract with the related party, or through engaging a related party to build real property, either on the company's own land or on rented land.</p> <p>D. The real property right-of-use assets for business use are acquired by the Company with its parent or subsidiaries, or by its subsidiaries in which it directly or indirectly holds 100 percent of the issued shares or authorized capital.</p> <p>(5) Where the Company acquires real property or assets as the right to use the same from a related party and where the result of evaluation in accordance with Subparagraphs (1) (2) of Paragraph 3 of this Article is lower than the transaction price, the Company shall duly handle in accordance with Subparagraph (6), Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>a. Where undeveloped land is appraised in accordance with the means in the Paragraph 3, subparagraph 4 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the</p>	<p>capital.</p> <p>(5) Where the Company acquires real property or assets as the right to use the same from a related party and where the result of evaluation in accordance with Subparagraphs (1) (2) of Paragraph 3 of this Article is lower than the transaction price, the Company shall duly handle in accordance with Subparagraph (6), Paragraph 3 of this Article. However, where the following circumstances exist, objective evidence has been submitted and specific opinions on reasonableness have been obtained from a professional real property appraiser and a CPA have been obtained, this restriction shall not apply:</p> <p>A. Where the related party acquired undeveloped land or leased land for development, it may submit proof of compliance with one of the following conditions:</p> <p>a. Where undeveloped land is appraised in accordance with the means in the Paragraph 3, subparagraph 4 of this Article, and structures according to the related party's construction cost plus reasonable construction profit are valued in excess of the actual transaction price. The "Reasonable construction profit" shall be deemed the average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>b. For transaction cases of other floors of the target property or other non-related parties in the adjacent area within one year, the areas are similar and the</p>	
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<p>average gross operating profit margin of the related party's construction division over the most recent 3 years or the gross profit margin for the construction industry for the most recent period as announced by the Ministry of Finance, whichever is lower.</p> <p>b. For transaction cases of other floors of the target property or other non-related parties in the adjacent area within one year, the areas are similar and the transaction conditions are also similar through the assessment of the reasonable price differences in floors or areas according to real estate business practices.</p> <p>B. Where the public companies acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p>	<p>transaction conditions are also similar through the assessment of the reasonable price differences in floors or areas according to real estate business practices.</p> <p>B. Where the public companies acquiring real property, or obtaining real property right-of-use assets through leasing, from a related party provides evidence that the terms of the transaction are similar to the terms of completed transactions involving neighboring or closely valued parcels of land of a similar size by unrelated parties within the preceding year.</p> <p>Completed transactions involving neighboring or closely valued parcels of land in the preceding paragraph in principle refers to parcels on the same or an adjacent block and within a distance of no more than 500 meters or parcels close in publicly announced current value; transactions involving similarly sized parcels in principle refers to transactions completed by unrelated parties for parcels with a land area of no less than 50 percent of the property in the planned transaction; within the preceding year refers to the year preceding the date of occurrence of the acquisition of the real property or obtainment of the right-of-use assets thereof.</p> <p>(6) Where the Company acquires real property or assets as the right to use the same from a related party and where the result of evaluation in accordance with Subparagraphs (1)–(5) of Paragraph 3 of this Article is lower than the transaction price, the Company shall duly handle in accordance with provisions below:</p> <p>A. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real</p>	
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<p>(6) Where the Company acquires real property or assets as the right to use the same from a related party and where the result of evaluation in accordance with Subparagraphs (1)–(5) of Paragraph 3 of this Article is lower than the transaction price, the Company shall duly handle in accordance with provisions below:</p> <p>A. A special reserve shall be set aside in accordance with Article 41, paragraph 1 of the Securities and Exchange Act against the difference between the real property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in public companies, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company’s equity stake in the other company</p> <p>B. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>C. The facts of handling in accordance with Subparagraphs 1 and 2 of this Paragraph shall be reported to the shareholders’ meeting and shall disclose the details into the Annual Report and Prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or</p>	<p>property transaction price and the appraised cost, and may not be distributed or used for capital increase or issuance of bonus shares. Where the Company uses the equity method to account for its investment in public companies, then the special reserve called for under Article 41, paragraph 1 of the Securities and Exchange Act shall be set aside pro rata in a proportion consistent with the share of the Company’s equity stake in the other company</p> <p>B. The Audit Committee shall comply with Article 218 of the Company Act.</p> <p>C. The facts of handling in accordance with Subparagraphs 1 and 2 of this Paragraph shall be reported to the shareholders’ meeting and shall disclose the details into the Annual Report and Prospectus.</p> <p>The Company that has set aside a special reserve under the preceding paragraph may not utilize the special reserve until it has recognized a loss on decline in market value of the assets it purchased or leased at a premium, or they have been disposed of, or the leasing contract has been terminated, or adequate compensation has been made, or the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p>	<p>(7) Where a listed public company acquires real property or assets as the right to use the same from a related party and where there is other proof that indicates the transaction is irrational to normal business practice, the Company shall, as well, duly handle in accordance with</p>
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<p>the status quo ante has been restored, or there is other evidence confirming that there was nothing unreasonable about the transaction, and the FSC has given its consent.</p> <p>(7) Where a listed public company acquires real property or assets as the right to use the same from a related party and where there is other proof that indicates the transaction is irrational to normal business practice, the Company shall, as well, duly handle in accordance with Subparagraph (6), Paragraph 3 of this Article.</p>	<p>Subparagraph (6), Paragraph 3 of this Article.</p>	
<p>Article 14: Procedures to make information public</p> <p>1. Under any of the following circumstances, The Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more. Trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual</p>	<p>Article 14: Procedures to make information public</p> <p>1. Under any of the following circumstances, The Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days counting inclusively from the date of occurrence of the event:</p> <p>(1) Acquisition or disposal of real property or right-of-use assets thereof from or to a related party, or acquisition or disposal of assets other than real property or right-of-use assets thereof from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more. Trading of domestic government bonds, bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(2) Merger, demerger, acquisition, or transfer of shares.</p> <p>(3) Losses from derivatives trading reaching the limits on aggregate losses or losses on individual</p>	<p>With the amendment, it is expressly provided that a case of buy/sale of foreign public bonds in credit rating level not lower than the domestic country's sovereign rating is exempted from public announcement.</p>

<p>contracts set out in the procedures adopted by the Company.</p> <p>(4) Acquisition or disposal of equipment or its right-of-use assets for business operations from an unrelated party at a transaction amount meets any one of the following criteria:</p> <p>A. For public companies whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>B. For public companies whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>(5) Where the Company acquires or disposes of real property oriented to construction business use or the assets as the right to use the same with transaction counterparty not as a related party with transaction amount more than NT\$500 million; while the paid-in capital is more than NT\$10 billion; in case of disposal of real property as built and completed by the Company itself with transaction front-running not as a related party, with transaction amount up to more than NT\$1 billion.</p> <p>(6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or</p>	<p>contracts set out in the procedures adopted by the Company.</p> <p>(4) Acquisition or disposal of equipment or its right-of-use assets for business operations from an unrelated party at a transaction amount meets any one of the following criteria:</p> <p>A. For public companies whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</p> <p>B. For public companies whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</p> <p>(5) Where the Company acquires or disposes of real property oriented to construction business use or the assets as the right to use the same with transaction counterparty not as a related party with transaction amount more than NT\$500 million; while the paid-in capital is more than NT\$10 billion; in case of disposal of real property as built and completed by the Company itself with transaction front-running not as a related party, with transaction amount up to more than NT\$1 billion.</p> <p>(6) Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and furthermore the transaction counterparty is not a related party, and the amount the Company expects to invest in the transaction reaches NT\$500 million.</p> <p>(7) Where an asset transaction other than any of those referred to in the preceding six subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or</p>	
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<p>NT\$300 million. This shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds <u>or foreign government bonds with a credit rating not below the sovereignty rating of our government.</u></p> <p>B. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of <u>foreign government bonds</u>, ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds <u>or redemption of securities investment trust funds</u> or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(8) The transaction amount referred to above is calculated as follows; the one-year timeframe dates back from the day of transaction, and transactions that have already been announced can be excluded.</p> <p>A. The amount of any individual transaction.</p> <p>B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>C. The cumulative transaction</p>	<p>NT\$300 million. This shall not apply to the following circumstances:</p> <p>A. Trading of domestic government bonds.</p> <p>B. Where done by professional investors—securities trading on securities exchanges or OTC markets, or subscription of ordinary corporate bonds or general bank debentures without equity characteristics (excluding subordinated debt) that are offered and issued in the primary market, or subscription or redemption of securities investment trust funds or futures trust funds, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange.</p> <p>C. Trading of bonds under repurchase and resale agreements, or subscription or redemption of money market funds issued by domestic securities investment trust enterprises.</p> <p>(8) The transaction amount referred to above is calculated as follows; the one-year timeframe dates back from the day of transaction, and transactions that have already been announced can be excluded.</p> <p>A. The amount of any individual transaction.</p> <p>B. The cumulative transaction amount of acquisitions and disposals of the same type of underlying asset with the same transaction counterparty within the preceding year.</p> <p>C. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the</p>	
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<p>amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of real property or right-of-use assets thereof within the same development project within the preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within one year.</p> <p>2. Timeframe for public announcement and declaration Where the Company acquires or disposes of assets up to the standard for public announcement under Paragraph 1 of this Article and the transaction amount is up to public announcement and declaration under this Article, the Company shall carry out public announcement and declaration based on the specified formula within two (2) days from date of occurrence of the fact.</p> <p>3. Public announcement and regulatory filing procedures.</p> <p>(1) The Company shall declare the relevant information into the website designated by the Financial Supervisory Commission and shall carry out public announcement and declaration based on the specified formula for public announcement and declaration.</p> <p>(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>(3) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly</p>	<p>preceding year.</p> <p>D. The cumulative transaction amount of acquisitions and disposals (cumulative acquisitions and disposals, respectively) of the same securities within one year.</p> <p>2. Timeframe for public announcement and declaration Where the Company acquires or disposes of assets up to the standard for public announcement under Paragraph 1 of this Article and the transaction amount is up to public announcement and declaration under this Article, the Company shall carry out public announcement and declaration based on the specified formula within two (2) days from date of occurrence of the fact.</p> <p>3. Public announcement and regulatory filing procedures.</p> <p>(1) The Company shall declare the relevant information into the website designated by the Financial Supervisory Commission and shall carry out public announcement and declaration based on the specified formula for public announcement and declaration.</p> <p>(2) The Company shall compile monthly reports on the status of derivatives trading engaged in up to the end of the preceding month by the company and any subsidiaries that are not domestic public companies and enter the information in the prescribed format into the information reporting website designated by the FSC by the 10th day of each month.</p> <p>(3) When the Company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(4) The Company acquiring or disposing of assets shall keep all relevant</p>	
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<p>announced and reported in their entirety within two days counting inclusively from the date of knowing of such error or omission.</p> <p>(4) The Company acquiring or disposing of assets shall keep all relevant contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(5) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <p>A. Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>C. Change to the originally publicly announced and reported information.</p>	<p>contracts, meeting minutes, logbooks, appraisal reports and CPA, attorney, and securities underwriter opinions at the company, where they shall be retained for 5 years except where another act provides otherwise.</p> <p>(5) Where any of the following circumstances occurs with respect to a transaction that the Company has already publicly announced and reported in accordance with this article, a public report of relevant information shall be made on the information reporting website designated by the FSC within 2 days counting inclusively from the date of occurrence of the event:</p> <p>A. Change, termination, or rescission of a contract signed in regard to the original transaction.</p> <p>B. The merger, demerger, acquisition, or transfer of shares is not completed by the scheduled date set forth in the contract.</p> <p>C. Change to the originally publicly announced and reported information.</p>	
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[Annex VI]

List of candidates for directors and independent directors

Category of candidates	Names of candidates	Academic degree credentials	Major hands-on experiences	Number of shares held
Director	Shunlin Investment Co., Ltd. Representative: Hsu, Yu-Shan	Graduated from Department of Cooperative Economics, National Chung Hsing University	Chairman, Shihlin Development Director, Qun Xin Properties Co., Ltd.	1,946,184
Director	Li, Chang-Lin	Graduated from Department of Economics, Boston University	Director, Shihlin Development Chairman, Qun Xin Properties Co., Ltd.	260,250
Director	Xiemei Industrial Co., Ltd. Representative: Yeh, Chi-Chao	Graduated from Department of Economics, San Francisco State University	Director, Shihlin Development Chairman of Hong Qian Co., Ltd.	9,977,374
Director	Ambassador Investment Corp. Ltd. Representative: Li, Ying-Chu	Graduated from Graduate Institute of Finance, Fu Jen Catholic University	Veteran Division Head, Shihlin Electric Plant Co., Ltd. Senior Assistant President, Hsinchu Logistics Co., Ltd.	5,781,850
Director	Lin, Hsin-Cheng	Graduated from Urban Planning Group, Graduate Institute of Industrial Planning, Chinese Culture University	General Manager of Development Department, Shihlin Electric Plant Co., Ltd. Independent director, Da Hsin Engineering Co., Ltd.	3,055,880
Independent Director	Wang, Chia-Kun	National University, San Diego Graduated with Master's Degree in Industrial & Business Management	Independent Director, Shihlin Development Director, Phihong Technology Co., Ltd.	0
Independent Director	Kuo, Chia-Wen	Graduate Institute of Law, National Taiwan University	Independent Director, Shihlin Development Legal Affairs Manager, Li Hsin Attorney-at-Law office	0
Independent Director	Chen, Chia-Hsiu	Graduated from Department of Accounting, Soochow University	Senior Consultant, Partner Certified Public Accountant,	0

			<p>KPMG Certified Public Accountants Director, E-Formula Technologies, Inc. Independent director of Chungshan Huali Group</p>	
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[Annex VII]

Contents of prohibition of business strife upon the directors and independent directors are as enumerated below:

Name of director	Contents of prohibition of business strife
Director, Li, Chang-Lin	Chairman, Qun Xin Properties Co., Ltd. Director, Urban Strategy Development Co., Ltd. Director, Ambassador Hotel Co., Ltd.
Director, Hsu, Yu-Shan	Director, Qun Xin Properties Co., Ltd.
Director, Yeh, Chi-Chao	Chairman of Hong Chien Construction Co., Ltd. Chairman, Taiwan Malt Ind. Co., Ltd. Chairman & President of Chung He Construction Co., Ltd.
Director, Lin, Hsin-Cheng	Director, Qun Xin Properties Co., Ltd. Independent Director, Da-Cin Construction Co., Ltd.
Director, Li, Ying-Chu	Director, Qun Xin Properties Co., Ltd.