

SHIHLIN DEVELOPMENT COMPANY LIMITED
Minutes of 2023 Annual General Shareholders Meeting

Time & Date : 9:00 a.m. on June 1, 2023

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

Total shares represented by shareholders present in person or by proxy: 163,741,909 shares (including 14,358,039 shares casted electronically), percentage of shares held by shareholders present in person or by proxy: 72.33%

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

Independent Director :Wang, Chia-Kun 、Kuo, Chia-Wen 、Chen,Chia-Hsiu

Director and 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: 2022 business report. Please review.

Description: The Company's 2022 business report and 2023 business outlook. Please refer to the Annex 1 . Please review.

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

Motion 2

Reason: Report on the 2022 financial statements reviewed by the Audit Committee. Please review.

Description: A review report has been submitted with respect to the Company's 2022 financial statements reviewed by the Audit Committee. Please refer to the Annex 2 . Please review.

Motion 3:

Reason: Report on amendment to the Rules of Procedure for Board of Directors' Meetings for review.

Description:

- I. On November 10, 2022, the board approved the amendment to the Rules of Procedure for Board of Directors' Meetings in accordance with Jin-Guan-Zheng-Fa-Zi Document #1110383263 and Jin-Guan-Zheng-Fa-Zi Document #1080361934 to respond to the operating needs of the Company.
- II. Please refer to the Annex 3 for the comparison table for contents before and after the amendment. Please review.

3. Approval Items

Motion 1 Proposed by the Board of Directors

Subject: Revenues & expenditures for the 2022 business report and financial statements.

Description: 1. The Company's 2022 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 2022 business report, please refer to the Annex 1 ; for standalone financial statements, consolidated financial statements and CPAs' review report, please refer to the Annex 4 . Please acknowledge.

Voting Results: Shares represented at the time of voting: 163,741,909

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	151,129,471 votes	92.29 %
Disapproval votes:	271,181 votes	0.16 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,341,257 votes	7.53 %

Resolution: the proposal was approved after voting.

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

Motion 2 Proposed by the Board of Directors

Subject: A motion to make up the loss in Year 2022.

Description: 1. The Company's beginning loss to be made up for was NT\$437,062,947; less: current loss after tax of NT\$208,091,736; add: other comprehensive income - change in the re-measurement of defined-benefit plans for the current period of NT\$3,088,375; the accumulated losses to be made up for the period is NT\$642,066,308.
2. As the Company had accumulated losses as of 2022, no dividends are intended to be distributed.
3. Please refer to the Annex 5 , i.e. the Table of Loss to be Made up for acknowledgement.

Voting Results: Shares represented at the time of voting: 163,741,909

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	151,109,405 votes	92.28 %
Disapproval votes:	291,378 votes	0.17 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	12,341,126 votes	7.53 %

Resolution: the proposal was approved after voting.

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

4. Extemporary Motion:

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

5. Meeting Adjourned: June 01, 2023, 10:02 AM

[Annex I]

Shihlin Development Company Limited 2022 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 2022 operating results and 2023 business outlook are as follows:

1. 2022 Operating Results

(I) Business plan implementation results

The operating revenue recognized for 2022 totaled NT\$452,193 thousand.

(II) Budget implementation:

Unit: NT\$ thousand

Item	2022 actual number	2022 forecasted number	Achievement rate %
Operating revenue	452,193	Financial forecasts not published	Not applicable
Operating costs	(311,247)		
Gross profit	140,946		
Operating expenses	(324,615)		
Non-business income (expenditures)	(41,689)		
Net loss before tax	(225,358)		

(III) Analyses into financial revenues and expenditures and profitability

Unit: NT\$ thousand

Item	Year	2022	2021
Financial income and expenditures	Net operating income	452,193	736,271
	Gross profit	140,946	140,465
	Net loss after tax	(228,179)	(151,320)

Item	Year	2022	2021
Profitability	Return on assets (%)	(1.97)	(1.63)
	Return on shareholders' equity (%)	(13.74)	(10.52)

	As a percentage of paid-in capital ratio (%)	Operating profit	(8.11)	(8.31)
		Income before tax	(9.95)	(6.53)
	Profit margin (%)		(50.46)	(20.55)
	Earnings per share (NT\$)		(0.92)	(0.64)

(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.

2. Summary of 2022 business plan

(I) Business policy:

1. Due to the impact of global rate hikes, tightening of monetary policy and actions taken to curb speculation of the housing market in 2022, Taiwan's overall housing market has entered a phase of shrinkage and consolidation. Buyers' willingness to offer bids has dropped sharply, resulting in financial constraints for small and medium-sized construction firms and also affecting the integration of urban renewal projects. The Company's has come into contact with more diverse sources of projects and land owners' willingness for co-development or sell land also greatly increased. In 2023, the Company will be more rigorous in selecting urban renewal cases, hoping to moderately expand our business in times of an economic slowdown.
2. Our strategy for land development focuses on the co-development of renovation of old buildings and urban renewal projects in the Greater Taipei area, supplemented by self-construction of purchased land. At this point, we still focus on the projects of residential buildings, and will also continue to find projects of commercial and industrial buildings.
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.

(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 was approximately NT\$670 million, of which 50% of the units had been sold and closed. 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)	A total sales amount of NT\$0.3 billion. Note*
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.

Note* As the foundation for the co-development with land owners' property are connected with the adjacent houses, reinforcement for the adjacent houses is needed before construction. However, the home owners of the nearby houses do not agree to the reinforcement, so the land owners will clear the obstacles through litigation before the delivery to the Company for future construction.

Looking into 2023, 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. The urban renewal project in the Bihu Section in Neihu District has been approved by the City Government of Taipei and the building demolition permit has been obtained, so the demolition work will be carried out within this year as planned.

(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 on the performance of the housing market in 2022 when it turned cold from hot,

there were factors such as the Russo-Ukrainian War which affected price hikes in energy and commodities, the constant rate hikes in the US which also resulted in the rise in domestic interest rate and were not conducive to the domestic house sales, both holding back the demand for a wait-and-see. In terms of the supply, the domestic policy has adopted financial control and pressure on construction firms, so the recent trends of short-term interest rate hikes remain unchanged, which increased the capital cost for builders. The price of raw materials has also gone up, the supply of foreign workers went down, which caused the shortage in construction workers, so the overall environment is rather unfriendly to construction firms.

Looking forward to the new year, the various factors unfavorable to construction firms make it difficult to keep an optimistic view. However, food, clothing, housing and transportation are the fundamental needs in people's daily life and there are other factors affecting the construction industry, such as the changes in population demographics and the society (declining birthrate, the aging society, etc.), which will bring the market into an equilibrium, so that the small properties and center city which have convenient transportation and access to daily necessities and the urban renewal of houses in old communities will have more development potential.

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 to 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, Ing-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 2022 including business report, financial statement and table for 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 2023 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee:

Wang, Chia-Kun

March 9, 2023

[Annex III]

**Comparison Table of the Rules of Procedure for Board of Directors Meetings
Before and After Amendment**

Amended article	Current article	Descriptions
<p>Article 3</p> <ol style="list-style-type: none"> Board meetings are held at least four time a year, and at least once a quarter. A notice of the reasons for convening a board meeting shall be given to each director 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. All matters set forth under Article 12 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion. 	<p>Article 3</p> <ol style="list-style-type: none"> Board meetings are held at least four time a year, and at least once a quarter. A notice of the reasons for convening a board meeting shall be given to each director 7 days before the meeting is convened. In emergency circumstances, however, a board meeting may be called on shorter notice. The notice to be given under the preceding paragraph may be effected by means of electronic transmission with the prior consent of the recipients. All matters set forth under Article 12 of these Rules shall be specified in the notice of the reasons for convening a board meeting. None of those matters may be raised by an extraordinary motion <u>except in the case of an emergency or for other legitimate reason.</u> 	<p>Amended in accordance with Jin-Guan- Zheng-Fa- Zi Document #1110383263.</p>
<p>Article 4</p> <ol style="list-style-type: none"> The designated unit responsible for the board meetings of the Company shall be the <u>Finance Department</u>. The unit responsible for board meetings shall draft the agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the meeting. A director who is of the opinion that the 	<p>Article 4</p> <ol style="list-style-type: none"> The designated unit responsible for the board meetings of the Company shall be the Finance and Accounting Department. The unit responsible for board meetings shall draft the agenda items and prepare sufficient meeting materials, and shall deliver them together with the notice of the 	<p>Organizational restructuring.</p>

<p>meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	<p>meeting.</p> <p>3. A director who is of the opinion that the meeting materials provided are insufficient may request their supplementation by the unit responsible for board meetings. If a director is of the opinion that materials concerning any proposal are insufficient, the deliberation of such proposal may be postponed by a resolution of the board of directors.</p>	
<p>Article 7</p> <p>1. Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>2. <u>In accordance with Paragraph 4 of Article 203 or Paragraph 3 of Article 203-1 of the Company Act, if the board meeting is convened by directors who receive a majority votes at the shareholders meeting, the directors shall elect one person to be the chairperson of the board meeting.</u></p> <p>3. When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the chairperson shall appoint one of the directors to act. If no such designation is</p>	<p>Article 7</p> <p>1. Board meetings shall be convened and chaired by the chairperson of the board. However, with respect to the first meeting of each newly elected board of directors, it shall be called and chaired by the director that received votes representing the largest portion of voting rights at the shareholders' meeting in which the directors were elected; if two or more directors are so entitled to convene the meeting, they shall select from among themselves one director to serve as chair.</p> <p>2. When the chairperson of the board is on leave or for any reason unable to exercise the powers of chairperson, the chairperson shall appoint one of the directors to act. If no such designation is made by the chairperson, the directors shall select one person from among themselves to serve as chair.</p>	<p>Amended in accordance with Jin-Guan- Zheng-Fa- Zi Document #1080361934.</p>

<p>made by the chairperson, the directors shall select one person from among themselves to serve as chair.</p>		
<p>Article 8</p> <ol style="list-style-type: none"> 1. When a board meeting is held, the <u>Finance Department</u> shall furnish the attending directors with relevant materials for ready reference. 2. As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place. 3. The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the procedures in Article 3, paragraph 2. 4. The number of "all directors," as used in the preceding paragraph, shall be counted as the number of directors then actually in office. 	<p>Article 8</p> <ol style="list-style-type: none"> 1. When a board meeting is held, the Finance and Accounting Department shall furnish the attending directors with relevant materials for ready reference. 2. As merited by the content of a proposal to be put forward at a board meeting, personnel from a relevant department or a subsidiary may be notified to attend the meeting as non-voting participants. When necessary, certified public accountants, attorneys or other professionals retained by the Company may also be invited to attend the meeting as non-voting participants and to make explanatory statements, provided that they shall leave the meeting when deliberation or voting takes place. 3. The chair shall call the board meeting to order at the appointed meeting time and when more than one-half of all the directors are in attendance. If one-half of all the directors are not in attendance at the appointed meeting time, the chair may announce postponement of the meeting time, provided that no more than two such postponements may be made. If the quorum is still not met after two postponements, the chair shall reconvene the meeting in accordance with the 	<p>Organizational restructuring.</p>

	<p>procedures in Article 3, paragraph 2.</p> <p>4. The number of "all directors," as used in the preceding paragraph, shall be counted as the number of directors then actually in office.</p>	
<p>Article 12</p> <p>The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:</p> <ol style="list-style-type: none"> 1. The Company's business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under the relevant laws and regulations to be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system. 4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others. 5. The offering, issuance, or private placement of equity-type securities. 6. <u>Appointment or dismissal of the chairman</u> 7. The appointment or discharge of a financial, accounting, or internal audit officer. 8. A donation to a related party or a major 	<p>Article 12</p> <p>The matters listed below as they relate to the Company shall be raised for discussion at a board meeting:</p> <ol style="list-style-type: none"> 1. The Company's business plan. 2. Annual and semi-annual financial reports, with the exception of semi-annual financial reports that are not required under the relevant laws and regulations to be audited and attested by a certified public accountant (CPA). 3. Adoption or amendment of an internal control system pursuant to Article 14-1 of the Securities and Exchange Act and assessment of the effectiveness of the internal control system. 4. Adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of any handling procedures for material financial or business transactions, such as the acquisition or disposal of assets, derivatives trading, loans of funds to others, and endorsements or guarantees for others. 5. The offering, issuance, or private placement of equity-type securities. 6. The appointment or discharge of a financial, accounting, or internal audit officer. 7. A donation to a related party or a 	<p>Amended in accordance with Jin-Guan- Zheng-Fa- Zi Document #1110383263.</p>

<p>donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors' meeting for retro-active recognition.</p> <p>9. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders' meeting or board meeting, or any material matter as may be prescribed by the competent authority. The term "related party" in sub-paragraph 8 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of paid-in capital as stated in the CPA-attested financial report for the most recent year.</p> <p>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retro-actively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation.</p> <p><u>In the event where shares of foreign companies have no par value or a par</u></p>	<p>major donation to a non-related party, provided that a public-interest donation of disaster relief that is made for a major natural disaster may be submitted to the following board of directors' meeting for retro-active recognition.</p> <p>8. Any matter that, under Article 14-3 of the Securities and Exchange Act or any other law, regulation, or bylaw, must be approved by resolution at a shareholders meeting or board meeting, or any material matter as may be prescribed by the competent authority.</p> <p>The term "related party" in subparagraph 7 of the preceding paragraph means a related party as defined in the Regulations Governing the Preparation of Financial Reports by Securities Issuers. The term "major donation to a non-related party" means an individual donation, or cumulative donations within a 1-year period to a single recipient, at an amount of NTD100 million or more, or at an amount equal to or greater than 1 percent of net operating revenue or 5 percent of the paid-in capital as stated in the CPA-attested financial report for the most recent year. <u>(In the event where shares of foreign companies have no par value or a par value other than NT\$10, the calculation of transaction amounts of 5% of paid-in capital will be substituted</u></p>	
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<p><u>value other than NT\$10, the calculation of transaction amounts of 5% of paid-in capital will be substituted by 2.5% of shareholders' equity.</u></p> <p>Where the Company has set up independent directors, at least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in advance, which shall be recorded in the board meeting minutes.</p>	<p><u>by 2.5% of shareholders' equity.)</u></p> <p>The term "within a 1-year period" in the preceding paragraph means a period of 1 year calculated retro-actively from the date on which the current board of directors meeting is convened. Amounts already submitted to and passed by a resolution of the board are exempted from inclusion in the calculation. Where the Company has set up independent directors, at least one independent director of the Company shall attend the meeting in person. With respect to the matters which must be approved by resolutions at a board meeting as provided in the first paragraph, any and all independent directors shall attend the meeting. Where an independent director is unable to attend the meeting, that independent director shall appoint another independent director to attend the meeting as proxy. If an independent director objects to or expresses reservations about such a matter, it shall be recorded in the board meeting minutes; if an independent director intends to express an objection or reservation but is unable to attend the meeting in person, then unless there is a legitimate reason to do otherwise, that director shall issue a written opinion in</p>	
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	advance, which shall be recorded in the board meeting minutes.	
<p>Article 15</p> <p>1. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>2. <u>If the director's spouse or blood relatives within the second-degree or the companies with which the director has a controlling or affiliation relationship are considered interested with the issues to be discussed at the board meeting, the director is also considered to be interested.</u></p> <p>3. Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply <i>mutatis mutandis</i> in accordance with Article 206, paragraph 4 of the same Act.</p>	<p>Article 15</p> <p>1. If a director or a juristic person that the director represents is an interested party in relation to an agenda item, the director shall state the important aspects of the interested party relationship at the respective meeting. When the relationship is likely to prejudice the interest of the Company, that director may not participate in discussion or voting on that agenda item and shall recuse himself or herself from the discussion or the voting on the item, and may not exercise voting rights as proxy for another director.</p> <p>2. Where a director is prohibited by the preceding paragraph from exercising voting rights with respect to a resolution at a board meeting, the provisions of Article 180, paragraph 2 of the Company Act apply <i>mutatis mutandis</i> in accordance with Article 206, paragraph 3 of the same Act.</p>	<p>Amended in accordance with Jin-Guan- Zheng-Fa- Zi Document #1080361934.</p>

[Annex IV]

Independent Auditors' Report

To Shihlin Development Company Limited,

Audit opinion

We have reviewed the accompanying balance sheets of Shihlin Development Company Limited (the "Company") for the years ended December 31, 2022 and 2021 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, 2022 and 2021 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 of 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, 2022, 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 Group are stated as follows:

I. 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 66% 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.

II. 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, 2022 and 2021 accounted for 1.09% and 1.77% of the total assets, respectively. The share in the profit or loss of subsidiaries and associates using the equity method recognized for the years ended December 31, 2022 and 2021 accounted for 4.22% and (49.02)% of the net loss 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 of 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 professional skepticism when performing the audit work in accordance with the auditing standards of 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, 2022. 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	Financial Supervisory Commission
Authority Approval	: Approval Document, Reference No.: FSC
Document No.	Zheng-Sheng-Zi NO. 1000011652
	Financial Supervisory Commission
	Approval Document, Reference No.: FSC
	Zheng-Sheng-Zi NO. 1100333824

March 9, 2023

Shihlin Development Company Limited

Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

		111.12.31		110.12.31				111.12.31		110.12.31	
Assets		Amount	%	Amount	%	Liabilities and equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 697,129	10	1,581,091	24	2100	Short-term borrowings (Notes 6(11) and 8)	\$ 1,587,223	23	2,346,723	35
1150	Notes and accounts receivable, net (Notes 6(3) and (20))	504	-	9,352	-	2110	Short-term notes and bills payable (Note 6(12))	-	-	299,616	4
1200	Other receivables (Note 6(4))	42,008	1	1,647	-	2130	Contract liabilities - current (Note 6(20))	591,618	9	455,151	7
130X	Inventories (Notes 6(5) and 8)	4,602,140	66	3,412,855	51	2150	Notes payable	-	-	10,824	-
1410	Prepayment	147,636	2	76,241	1	2170	Accounts payable	445,882	6	186,478	3
1476	Other financial assets - current (Note 6(10))	508,807	7	745,003	11	2200	Other payables (Note 7)	65,198	1	105,878	2
1479	Other current assets - others	6,429	-	1,836	-	2250	Provision for liabilities - current (Note 6(15))	101	-	414	-
1480	Incremental cost of obtaining contracts - current	228,806	3	231,097	3	2280	Lease liabilities - current (Notes 6(14) and 7)	3,169	-	6,860	-
		6,233,459	89	6,059,122	90	2310	Advance receipts	622	-	610	-
						2399	Other current liabilities - others	3,236	-	11,120	-
								2,697,049	39	3,423,674	51
Non-current assets:						Non-current liabilities:					
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	46,244	1	53,874	1	2530	Corporate bonds payable (Note 6(13))	2,794,291	40	1,595,540	24
1550	Investments using the equity method (Notes 6(6) and 7)	271,304	4	352,335	6	2580	Lease liabilities - non-current (Notes 6(14) and 7)	1,871	-	4,221	-
1600	Property, plant and equipment (Note 6(7))	1,121	-	1,100	-	2670	Other non-current liabilities - others	584	-	487	-
1755	Right-of-use assets (Note 6(8))	3,633	-	9,584	-			2,796,746	40	1,600,248	24
1760	Net investment property (Notes 6(9))	6,809	-	6,809	-			5,493,795	79	5,023,922	75
1780	Intangible assets	500	-	372	-		Total liabilities				
1980	Other financial assets - non-current (Notes 6(10) and 8)	394,872	6	217,560	3		Equity: (Notes 6(17) and (18))				
1990	Other non-current assets - others	185	-	185	-	3100	Share capital	2,263,791	33	2,263,791	34
		724,668	11	641,819	10	3200	Capital surplus	17,484	-	17,484	-
						3300	Retained earnings (deficit to be compensated)	(591,804)	(9)	(386,801)	(6)
						3400	Other equity interest	(225,139)	(3)	(217,455)	(3)
							Total equity	1,464,332	21	1,677,019	25
							Total liabilities and equity	\$ 6,958,127	100	6,700,941	100
Total assets		\$ 6,958,127	100	6,700,941	100						

(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 Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	Operating income (Note 6(20))	\$ 25,476	100	319,534	100
5000	Operating costs	14,358	56	282,683	88
	Gross profit	11,118	44	36,851	12
	Operating expenses (Notes 6(14), 6(15), 6(18) and 7):				
6100	Marketing expenses	2,291	9	5,702	2
6200	Management expenses	100,591	395	97,434	30
		102,882	404	103,136	32
	Net operating loss	(91,764)	(360)	(66,285)	(20)
	Non-operating income and expenses:				
7100	Interest income (Note 6(22))	6,595	26	757	-
7010	Other income (Notes 6(22) and 7)	14,962	59	10,699	3
7020	Other gains and losses (Note 6 (22))	(8,787)	(34)	(8)	-
7050	Finance costs (Notes 6(22) and 7)	(53,671)	(211)	(27,007)	(8)
7060	Share of profits or losses on subsidiaries and associates recognized using the equity method (Note 6(6))	(75,426)	(296)	(18,332)	(6)
	Total non-operating income and expenses	(116,327)	(456)	(33,891)	(11)
7900	Net loss before tax	(208,091)	(816)	(100,176)	(31)
7950	Income tax expenses (Note 6(16))	-	-	2,397	1
8200	Net loss for the period	(208,091)	(816)	(102,573)	(32)
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	(7,630)	(30)	(28,147)	(9)
8330	Share of other comprehensive income of subsidiaries, associates, and joint ventures recognized using the equity method - items not reclassified to profit or loss	3,034	12	286	-
8349	Income tax related to items not reclassified	-	-	-	-
	Comprehensive income for the period	(4,596)	(18)	(27,861)	(9)
8500	Total comprehensive income for the period	<u><u>\$ (212,687)</u></u>	<u><u>(834)</u></u>	<u><u>(130,434)</u></u>	<u><u>(41)</u></u>
	Earnings (loss) per share (Note 6(19))				
9750	Basic earnings (loss) per share	<u><u>\$ (0.92)</u></u>		<u><u>(0.64)</u></u>	
9850	Diluted earnings (losses) per share	<u><u>\$ (0.92)</u></u>		<u><u>(0.64)</u></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, 2022 and 2021

Unit: NT\$ thousand

			Retained earnings		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, 2021	\$ 1,363,791	64,187	50,262	(310,227)	(259,965)	(189,592)
Net loss for the period	-	-	-	(102,573)	(102,573)	-
Comprehensive income for the period	-	-	-	59	59	(27,920)
Total comprehensive income for the period	-	-	-	(102,514)	(102,514)	(27,920)
Changes in other capital surplus:						(130,434)
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)	-
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)
Net loss for the period	-	-	-	(208,091)	(208,091)	-
Comprehensive income for the period	-	-	-	3,088	3,088	(7,684)
Total comprehensive income for the period	-	-	-	(205,003)	(205,003)	(7,684)
Balance as at December 31, 2022	<u>\$ 2,263,791</u>	<u>17,484</u>	<u>50,262</u>	<u>(642,066)</u>	<u>(591,804)</u>	<u>(225,139)</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
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities		
Net loss before tax for the period	\$ (208,091)	(100,176)
Adjustments:		
Income and expenses		
Depreciation expense	8,007	7,738
Amortization expense	429	376
Interest expense	53,671	27,007
Interest income	(6,595)	(757)
Dividend income	(36)	(1,224)
Share of losses on subsidiaries and associates recognized using the equity method	75,426	18,332
Share-based remuneration payment cost	-	435
Others	(13,974)	(4,405)
Total income and expenses	<u>116,928</u>	<u>47,502</u>
Changes in assets/liabilities related to operating activities:		
Net change in assets related to operating activities:		
Decrease (increase) in notes receivable	358	(862)
Decrease in other receivables	1,417	578
Increase in inventory	(1,173,595)	(1,810,308)
Increase in prepayment	(71,395)	(23,529)
Increase in other current assets	(7,147)	(31)
Decrease in other non-current assets	-	791
Decrease (increase) in incremental cost of obtaining contracts	2,291	(75,412)
Decrease (increase) in other financial assets	231,934	(229,462)
Total of net change in assets related to operating activities	<u>(1,016,137)</u>	<u>(2,138,235)</u>
Net change in liabilities related to operating activities:		
Increase in contract liabilities	136,501	178,242
Decrease in notes payable	(10,824)	(16,144)
Increase in accounts payable	263,122	135,844
Decrease in other payables	(35,948)	(16,569)
Increase (decrease) in provision	(313)	15
Increase in advance receipts	12	400
Increase in other current liabilities	606	1,000
Total of net change in liabilities related to operating activities	<u>353,156</u>	<u>282,788</u>
Total net changes in assets and liabilities related to operating activities	<u>(662,981)</u>	<u>(1,855,447)</u>
Total adjustments	<u>(546,053)</u>	<u>(1,807,945)</u>
Cash outflow from operations	(754,144)	(1,908,121)
Interest received	6,087	757
Dividends received	8,675	55,161
Interest paid	(61,740)	(28,986)
Income tax paid	(446)	(2,449)
Net cash outflow from operating activities	<u>(801,568)</u>	<u>(1,883,638)</u>

Shihlin Development Company Limited
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

	<u>2022</u>	<u>2021</u>
Cash flow from investing activities:		
Investments using the equity method acquired	-	(150,000)
Investments using the equity method disposed of	-	8,054
Acquisition of property, plant and equipment	(451)	(858)
Acquisition of intangible assets	(557)	(586)
Increase in other financial assets	(280,710)	(253,090)
Decrease in other financial assets	66,160	8,955
Net cash outflow from investing activities	<u>(215,558)</u>	<u>(387,525)</u>
Cash flow from financing activities:		
Increase in short-term borrowings	453,000	2,346,723
Decrease in short-term borrowings	(1,212,500)	(500,000)
Increase in short-term notes and bills payable	-	298,463
Decrease in short-term notes and bills payable	(299,616)	(498,193)
Issuance of corporate bonds	1,200,000	1,000,000
Increase in guarantee deposits received	97	439
Decrease in other payables - related parties	-	(200,000)
Lease principal repayment	(7,817)	(7,760)
Cash capital increase	-	852,862
Net cash inflow from financing activities	<u>133,164</u>	<u>3,292,534</u>
Increase (decrease) in cash and cash equivalents for the period	(883,962)	1,021,371
Opening balance of cash and cash equivalents	1,581,091	559,720
Ending balance of cash and cash equivalents	<u>\$ 697,129</u>	<u>1,581,091</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**

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, 2022 and 2021 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, 2022 and 2021 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 of 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, 2022, 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 the income from 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(21) to the consolidated financial statements for the description of income.

Description of key audit matters:

The Group's revenue is mainly from guest rooms and catering services. Due to the characteristics of this industry, the revenue consists of a large number of small-amount transactions, so the risk of error is high. Therefore, the testing of the income from 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:

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.

II. 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 54% 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 real estate transactions, the prices of the Group's recent sales contracts, or the real estate 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.

III. Evaluation of impairment of property, plant and equipment, and right-of-use 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, 2022 accounted for 17% 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, 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, 2022 and 2021 accounted for 2.09% and 1.58% of the total consolidated assets, respectively. Its net operating income for the years ended December 31, 2022 and 2021 accounted for 16.43% and 9.30% 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, 2022 and 2021 accounted for 0.31% and 0.86% 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, 2022 and 2021 accounted for 3.76% and (33.30)% of the consolidated net loss before tax, respectively.

The Group has prepared the standalone financial statements for the years ended December 31, 2022 and 2021, 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 of 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 professional skepticism when performing the audit work in accordance with the auditing standards of 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, 2022. 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 Financial Supervisory Commission
Authority Approval Approval Document, Reference No.: FSC

Document No.	Zheng-Sheng-Zi NO. 1000011652 Financial Supervisory Commission Approval Document, Reference No.: FSC Zheng-Sheng-Zi NO. 1100333824
March 9, 2023	

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

		111.12.31		110.12.31				111.12.31		110.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Assets						Liabilities and equity					
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 853,603	10	1,822,523	22	2100	Short-term borrowings (Note 6(12))	\$ 1,867,223	22	2,586,723	31
1170	Notes and accounts receivable, net (Notes 6(3) and (21))	16,750	-	17,168	-	2110	Short-term notes and bills payable (Note 6(13))	-	-	299,616	4
1180	Accounts receivable - related parties, net (Notes 6(3), (21) and 7)	244	-	314	-	2130	Contract liabilities - current (Note 6(21))	607,969	7	478,906	6
1200	Other receivables (Notes 6(4) and 7)	43,054	1	1,906	-	2150	Notes payable	370	-	10,824	-
130X	Inventories (Notes 6(5) and 8)	4,631,819	54	3,418,283	41	2170	Accounts payable	459,310	6	205,091	3
1410	Prepayment	153,461	2	79,967	1	2180	Accounts payable - related parties (Note 7)	4,760	-	-	-
1476	Other financial assets - current (Notes 6(11) and 8)	634,987	7	779,203	9	2200	Other payables	103,132	1	140,436	2
1479	Other current assets - others	7,647	-	3,243	-	2220	Other payables - related parties (Note 7)	312	-	155	-
1480	Incremental cost of obtaining contracts - current	228,806	3	231,097	3	2230	Income tax liabilities for the period (Note 6(17))	2,883	-	2,950	-
		<u>6,570,371</u>	<u>77</u>	<u>6,353,704</u>	<u>76</u>	2250	Provision for liabilities - current (Note 6(16))	4,020	-	3,030	-
Non-current assets:						2280	Lease liabilities - current (Notes 6(15) and 7)	109,606	1	104,765	1
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	72,438	1	80,193	1	2310	Advance receipts	991	-	610	-
1550	Investments using the equity method (Note 6(6))	26,519	-	73,036	1	2399	Other current liabilities - others	6,610	-	13,887	-
1600	Property, plant and equipment (Notes 6(8) and (27))	401,858	5	455,750	6			<u>3,167,186</u>	<u>37</u>	<u>3,846,993</u>	<u>47</u>
1755	Right-of-use assets (Note 6(9))	1,036,231	12	1,096,019	13	Non-current liabilities:					
1760	Net investment property (Notes 6(10))	6,809	-	6,809	-	2530	Corporate bonds payable (Note 6(14))	2,794,291	33	1,595,540	19
1780	Intangible assets	500	-	372	-	2580	Lease liabilities - non-current (Notes 6(15) and 7)	1,046,718	12	1,104,263	13
1840	Deferred tax assets (Note 6(17))	8,590	-	9,422	-	2640	Net defined benefit liabilities - non-current (Note 6(16))	-	-	2,443	-
1980	Other financial assets - non-current (Notes 6(11) and 8)	427,805	5	250,485	3	2650	Investment credit balance using the equity method (Note 6(6))	1,047	-	1,047	-
1990	Other non-current assets - others	185	-	185	-	2670	Other non-current liabilities - others	769	-	772	-
1975	Net defined benefit assets - non-current (Note 6(16))	4,821	-	-	-			<u>3,842,825</u>	<u>45</u>	<u>2,704,065</u>	<u>32</u>
		<u>1,985,756</u>	<u>23</u>	<u>1,972,271</u>	<u>24</u>	Total liabilities		<u>7,010,011</u>	<u>82</u>	<u>6,551,058</u>	<u>79</u>
Total assets		<u>\$ 8,556,127</u>	<u>100</u>	<u>8,325,975</u>	<u>100</u>	Equity attributable to owners of the parent company (Notes and 6(18) and (19)):					
						3100	Share capital	2,263,791	27	2,263,791	27
						3200	Capital surplus	17,484	-	17,484	-
						3300	Retained earnings	(591,804)	(7)	(386,801)	(4)
						3400	Other equity interest	(225,139)	(3)	(217,455)	(3)
							Subtotal of equity attributable to owners of the parent company	1,464,332	17	1,677,019	20
						36XX	Non-controlling interests (Note 6(18))	81,784	1	97,898	1
							Total equity	1,546,116	18	1,774,917	21
							Total liabilities and equity	<u>\$ 8,556,127</u>	<u>100</u>	<u>8,325,975</u>	<u>100</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

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

		2022		2021	
		Amount	%	Amount	%
4000	Operating income (Notes 6(20) and 7)	\$ 452,193	100	736,271	100
5000	Operating costs (Notes 6(5) and 7)	311,247	69	595,806	81
	Gross profit	140,946	31	140,465	19
	Operating expenses: (Notes 6(16), (19) and 7):				
6100	Marketing expenses	82,150	18	78,963	11
6200	Management expenses	242,465	54	242,607	33
		324,615	72	321,570	44
	Net operating loss	(183,669)	(41)	(181,105)	(25)
	Non-operating income and expenses:				
7100	Interest income (Note 6(23))	8,674	2	1,299	-
7010	Other income (Note 6(23))	39,354	9	36,299	5
7020	Other gains and losses (Note 6 (23))	(225)	-	(658)	-
7050	Finance costs (Notes 6(23) and 7)	(77,879)	(17)	(52,787)	(7)
7060	Share of profits or losses on associates recognized using the equity method (Note 6(6))	(11,613)	(3)	49,198	7
	Total non-operating income and expenses	(41,689)	(9)	33,351	5
7900	Net loss before tax	(225,358)	(50)	(147,754)	(20)
7950	Less: Income tax expenses (Note 6(17))	2,821	1	3,566	-
	Net loss for the period	(228,179)	(51)	(151,320)	(20)
8300	Other comprehensive income:				
8310	Items not reclassified to profit or loss				
8311	Remeasurement of defined benefit plans	7,133	2	137	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(7,755)	(2)	(27,625)	(4)
8349	Less: Income tax related to items not reclassified	-	-	-	-
	Other comprehensive income (net after tax) for the period	(622)	-	(27,488)	(4)
8500	Total comprehensive income for the period	<u>\$ (228,801)</u>	<u>(51)</u>	<u>(178,808)</u>	<u>(24)</u>
	Net loss for the period attributable to:				
8610	Owners of the parent company	\$ (208,091)	(47)	(102,573)	(13)
8620	Non-controlling interests	(20,088)	(4)	(48,747)	(7)
		<u>\$ (228,179)</u>	<u>(51)</u>	<u>(151,320)</u>	<u>(20)</u>
	Total comprehensive income attributable to:				
8710	Owners of the parent company	\$ (212,687)	(47)	(130,434)	(17)
8720	Non-controlling interests	(16,114)	(4)	(48,374)	(7)
		<u>\$ (228,801)</u>	<u>(51)</u>	<u>(178,808)</u>	<u>(24)</u>
	Earnings (loss) per share (Note 6(20))				
9750	Basic earnings (loss) per share (Unit: NTD)	<u>\$ (0.92)</u>		<u>(0.64)</u>	
9850	Diluted earnings (loss) per share (Unit: NTD)	<u>\$ (0.92)</u>		<u>(0.64)</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

Shihlin Development Company Limited and Its Subsidiaries
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

	Equity attributable to owners of the parent company						Total equity attributable to owners of the parent company	Non-controllin g interests	Total equity	
	Share capital	Retained earnings				Other equity items				
		Common stock	Capital surplus	Legal reserve	Deficit to be compensated	Total				Unrealized gain or loss on financial assets at fair value through other comprehensive income
Balance as at January 1, 2021	\$	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)
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
Net loss for the period		-	-	-	(208,091)	(208,091)	-	(208,091)	(20,088)	(228,179)
Comprehensive income for the period		-	-	-	3,088	3,088	(7,684)	(4,596)	3,974	(622)
Total comprehensive income for the period		-	-	-	(205,003)	(205,003)	(7,684)	(212,687)	(16,114)	(228,801)
Balance as at December 31, 2022	\$	2,263,791	17,484	50,262	(642,066)	(591,804)	(225,139)	1,464,332	81,784	1,546,116

(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, 2022 and 2021

Unit: NT\$ thousand

	2022	2021
Cash flow from operating activities		
Net loss before tax for the period	\$ (225,358)	(147,754)
Adjustments:		
Income and expenses:		
Depreciation expense	181,346	199,721
Amortization expense	429	424
Interest expense	77,879	52,787
Interest income	(8,674)	(1,299)
Dividend income	(4,157)	(1,975)
Share-based remuneration payment cost	-	435
Share of profit or loss of associates recognized using the equity method	11,613	(49,198)
Loss on disposal and scrapping of property, plant and equipment	528	27
Loss on disposal of investment in subsidiary	-	630
Loss on reclassification of property, plant and equipment	819	635
Gain on disposal of investments using the equity method	(12,445)	-
Rent concessions	(9,322)	(12,788)
Others	(13,974)	(4,405)
Total income and expenses	224,042	184,994
Changes in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Net decrease in (increase) notes and accounts receivable	(8,072)	3,375
Decrease (increase) in accounts receivable - related parties	70	(195)
Decrease in other receivables	1,161	661
Decrease in other receivables - related parties	-	432
Increase in inventory	(1,197,846)	(1,809,736)
Increase in prepayment	(73,494)	(22,087)
Increase in other current assets	(6,922)	(862)
Increase in net defined benefit assets	(4,821)	-
Decrease (increase) in incremental cost of obtaining contracts	2,291	(75,412)
Decrease (increase) in other financial assets	231,934	(229,462)
Total net change in assets related to operating activities	(1,055,699)	(2,133,286)
Net change in liabilities related to operating activities:		
Increase in contract liabilities	129,063	190,306
Decrease in notes payable	(10,454)	(16,255)
Increase in accounts payable	257,937	137,193
Increase (decrease) in accounts payable - related parties	4,760	(4,866)
Decrease (increase) in other payables	(15,578)	9,937
Increase in provision	990	124
Increase in advance receipts	414	400
Increase in other current liabilities	1,213	754
Increase (decrease) in net defined benefit liability	4,689	(130)
Total net change in liabilities related to operating activities	373,034	317,463
Total net changes in assets and liabilities related to operating activities	(682,665)	(1,815,823)
Total adjustments	(458,623)	(1,630,829)
Cash outflow from operations	(683,981)	(1,778,583)
Interest received	7,635	1,320
Dividends received	12,796	62,342
Interest paid	(86,056)	(56,229)
Income tax paid	(2,539)	(4,440)
Net cash outflow from operating activities	(752,145)	(1,775,590)

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

	<u>2022</u>	<u>2021</u>
Cash flow from investing activities:		
Investments using the equity method disposed of	38,710	-
Net cash outflow from disposal of subsidiary	-	(3,321)
Acquisition of property, plant and equipment	(6,190)	(7,980)
Disposal of property, plant and equipment	11	40
Decrease in other receivables	-	2,500
Acquisition of intangible assets	(557)	(592)
Increase in other financial assets	(372,698)	(253,110)
Decrease in other financial assets	66,160	8,955
Decrease in other non-current assets	-	822
Net cash outflow from investing activities	<u>(274,564)</u>	<u>(252,686)</u>
Cash flow from financing activities:		
Increase in short-term borrowings	833,000	2,586,723
Decrease in short-term borrowings	(1,552,500)	(740,000)
Increase in short-term notes and bills payable	-	298,463
Decrease in short-term notes and bills payable	(299,616)	(598,098)
Issuance of corporate bonds	1,200,000	1,000,000
Increase in guarantee deposits received	-	440
Decrease in guarantee deposits received	(3)	-
Decrease in other payables - related parties	-	(200,000)
Lease principal repayment	(123,092)	(123,295)
Cash capital increase	-	852,862
Changes in non-controlling interests	-	(9)
Net cash inflow from financing activities	<u>57,789</u>	<u>3,077,086</u>
Increase (decrease) in cash and cash equivalents for the period	(968,920)	1,048,810
Opening balance of cash and cash equivalents	1,822,523	773,713
Ending balance of cash and cash equivalents	<u>\$ 853,603</u>	<u>1,822,523</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**

[Annex V]

Shihlin Development Company Limited	
Table for loss make-up	
2022	
	Unit: NT\$
Item	Amount
Losses to be made up at opening	(437,062,947)
Less: Net loss after tax in the year.	(208,091,736)
Add: Other comprehensive income – change in remeasurement of defined benefit plans for the period	3,088,375
Losses to be made up at closing	(642,066,308)

Chairman: Hsu,
Yu-Shan

President: Lin,
Hsin-Cheng

Chief accounting officer:
Kuo, Ying-Yen