

SHIHLIN DEVELOPMENT COMPANY LIMITED
Minutes of 2024 Annual General Shareholders Meeting

Time & Date : 9:00 a.m. on May 31, 2024

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

Total shares represented by shareholders present in person or by proxy: 151,693,725 shares (including 8,583,712 shares casted electronically), accounting for 67.00% of total number of outstanding shares with voting right 226,379,090 shares.

Attendees: Director : Hsu, Yu-Shan

Director and General Manager : Lin, Hsin-Cheng

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

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: 2023 business report. Please review.

Description: The Company's 2023 business report and 2024 business outlook. Please refer to the Annex 1 . Please review.

Motion 2

Reason: Report on the 2023 financial statements reviewed by the Audit Committee. Please review.

Description: A review report has been submitted with respect to the Company's 2023 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. Implemented in accordance with the Financial Supervisory Commission's Order No. 1120383996 dated January 11, 2024, the amendment to the "Rules of Procedure for Board of Directors Meetings" were approved.
- 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 2023 business report and financial statements.

Description: 1. The Company's 2023 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 2023 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: 151,693,725

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	144,375,747 votes	95.18 %
Disapproval votes:	67,523 votes	0.04 %
Invalid votes:	0 vote	0.00 %
Abstention votes / No votes:	7,250,455 votes	4.78 %

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 2023.

Description: 1. The Company's beginning loss to be made up for was NT\$642,066,308; less: current loss after tax of NT\$119,308,110; add: other comprehensive income - change in the re-measurement of defined-benefit plans for the current period of NT\$466,722; the accumulated losses to be made up for the period is NT\$760,907,696.

2. As the Company had accumulated losses as of 2023, 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: 151,693,725

Voting Results (including votes casted electronically)		% of the total represented share present
Approval votes:	144,340,948 votes	95.15 %
Disapproval votes:	102,585 votes	0.07 %
Invalid votes:	0 vote	0.00 %

Voting Results (including votes casted electronically)	% of the total represented share present
Abstention votes / No votes: 7,250,192 votes	4.78 %

Resolution: the proposal was approved after voting.

4. Extemporary Motion: None.

There were no questions from shareholders at the Annual General Meeting.

5. Meeting Adjourned: May 31, 2024, 09:11 AM

Shihlin Development Company Limited
2023 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 2023 operating results and 2024 business outlook are as follows:

1. 2023 Operating Results

(I) Business plan implementation results

The operating revenue recognized for 2023 totaled NT\$609,213 thousand.

(II) Budget implementation:

Unit: NT\$ thousand

Item	2023 actual number	2023 forecasted number	Achievement rate %
Operating revenue	609,213	Financial forecasts not published	Not applicable
Operating costs	(305,387)		
Gross profit	303,826		
Operating expenses	(359,123)		
Non-business income (expenditures)	(57,614)		
Net loss before tax	(112,911)		

(III) Analyses into financial revenues and expenditures and profitability

Unit: NT\$ thousand

Item	Year	2023	2022
Financial income and expenditures	Net operating income	609,213	452,193
	Gross profit	303,826	140,946
	Net loss after tax	(114,897)	(228,179)

Item	Year	2023	2022	
Profitability	Return on assets (%)	(0.56)	(1.97)	
	Return on shareholders' equity (%)	(7.66)	(13.74)	
	As a percentage of paid-in capital ratio (%)	Operating profit	(2.44)	(8.11)
		Income before tax	(4.99)	(9.95)
	Profit margin (%)	(18.86)	(50.46)	
	Earnings per share (NT\$)	(0.53)	(0.92)	

(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 2024 business plan

(I) Business policy:

1. In 2023, despite the global interest rate hikes, financial tightening and inflation slowed down compared with 2022. The Central Bank froze interest rate for three consecutive times after meetings, showing signs of recovery in the economy and the stock market. However, the policy against real estate speculation (the amendment and implementation of The Equalization of Land Rights Act) and the Housing Tax Differential Rate 2.0 passed by the 3rd Reading at the beginning of 2024, together with the various impacts by the presidential election and the unpredictable situation across the Taiwan Strait before and after the President taking the office, the buyer's willingness to bid continued to decline sharply, resulting in a financial crunch for small and medium-sized construction companies, which also affects the direction of the integration of urban renewal projects, bringing diverse sources of the Company's urban renewal projects. Therefore, the Company has made great achievements in the performance of urban renewal projects in 2023. However, the trading volume in the overall housing market in Taiwan is expected to continue to shrink and consolidate this year. We will be more careful selecting urban renewal projects to appropriately expand the business territory in the event of a recession.
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 emphasize the projects of residential buildings, but will continue to find projects of commercial and industrial buildings.
3. In response to structural and environmental changes such as population structure/family composition/aging/pandemic and environmental protection, in addition to revision and refinement of our product positioning, we follow the development trend of ESG by planning the design and construction of green buildings that are energy-saving and carbon-reducing and responding to extreme climates. In terms of construction, we have the research and development of pandemic control methods and the introduction of green energy and resource reuse methods. In terms of materials, we will introduce green supply chain and environmental protection and low-carbon building materials in order to create products that meet customer needs and future trends.
4. For products in the construction industry, under the influence of the long processing and production cycle, the sharp rise of construction costs and the lack of labor and materials in recent years, we will first acquire land, and obtain the construction permit as soon as possible, before carry out our sales operation in a timely manner.
5. Despite the significant increase in construction costs, the Company continues to strictly control the quality and cost. Rigorous budget management and a sound audit system are used to reduce costs and expenditures, improve the return on investment and perform efficient operation 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. The competent authority has increased its control on the construction industry. We will cooperate with the relevant government laws and regulations, focus on the update and research of regulations and respond with conservative strategies to protect the rights and interests of shareholders.

(II) Projected sales volume and basis:

Projects that have been promoted to sale and submitted for review and are in-progress.

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. Subsequent sales of existing houses will depend on the market conditions.
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 Q3 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 Q4 2024.
Mei-Hao-Ri- An	Tianmu, approximately 173 <i>ping</i> (571.9 square meters)	Total sales amounted to NTD 300 million. 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\$6 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.
Bihu Project	Neihu District, approximately 928 <i>ping</i> (3067.8 square meters)	The total sales was approximately NT\$5.3 billion. This urban renewal project has been approved by the Taipei City Government at the end of 2022. It is expected that the demolition will be completed and construction will officially start in Q2 2024. The timing and strategy of the sales will be determined based on the market sentiment.
Xinyi Anhe project	Daan District, approximately 680 <i>ping</i> (2248 square meters)	The total sales amount was about NTD 5.2 billion. The urban renewal project was submitted for approval in September 2023 and is currently under review.

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. The verdict is expected to be announced in the first instance in the Q2 2024.

Looking ahead to 2024, in addition to continuing the completion and handover, construction, sales and urban renewal procedures of the aforementioned project, the we will be actively promoting the Rui-An Street project in Da'an District, Section 6 of Zhongshan North Road in Shilin District, the Songde Road project in Xinyi District, Fujin Street projects in Songshan District, the Dongfeng Street case in Da'an District and other urban renewal projects, and the development projects of key areas in both Taipei and New Taipei City. Among them, the projects in Rui-An Street, Da'an District, and Section 6 of North Zhongshan Road, Shilin

District have been consolidated, and are scheduled to be submitted for approval in Q2 2024.

(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) In response to the impact of the significant increase in construction costs, the future projects will be built and sold at the same time depending on the market condition. At the same time, the sources of property buyers and customers who purchase home for their own use are monitored to ensure the stability of the company's revenue and profit.
- (2) We will continue to focus on the high-end pricing in the local areas. However in actual selling, we will still sell at an appropriate price based on the market condition at the time to take both the profit margin and working capital into consideration, further achieving better profitability.
- (3) If there is still inventory for sales to the public after the commencement of construction, the subsequent sales strategy will be flexibly adjusted depending on the market condition to ensure better profitability when the market price rebounds in the future.

(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. The effects in 2023 were not as apparent, but the instability involving the presidential election was not conducive to the domestic house sales, further 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 in order to curb speculation. Although the interest rates have only been raised by 0.125% in 2023, the recent trends of short-term interest rate hikes remain unchanged, which increase the capital cost for builders. The price hikes of raw materials are expected to slow down, but the shortage of foreign workers and domestic construction workers and the rising wages, coupled with the expected future

increase in water and electricity and the extra costs in response to the ESG trends and carbon taxes, will cause the construction costs to remain high, 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, shelter, and transportation are the rigid needs of human life. There are many factors affecting the construction industry. Changes in demographics and social changes (such as a declining birthrate, an aging population, etc.) will tend to make the housing market focus on returning to basics. Therefore, there are more development prospects in the premium areas with transportation construction and rich functions to promote small houses in the city center and urban renewal products in old communities.

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.

Despite the difficult external environment, the Company will still target products that conform to the brand image and architectural concepts, strictly control costs and expenses, and strive to improve the added value of products, especially the community building, in order to increase the competitive advantages for a better market share. We believe that the Company's brand and value can be better highlighted in such a challenging environment. We adhere to the philosophy of sustainable management, focus on our core business, and aim to create the maximum benefits for our shareholders and employees in order to pursue the Company's operation and profitability growth.

Thank you for your long-standing support and encouragement, we will continue to make every effort to create brand 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 2023 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.

To

The Company's 2024 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee: Wang, Chia-Kun

March 7, 2024

[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 8</p> <p>1. When a board meeting is held, the Finance Department shall furnish the attending directors with relevant materials for ready reference.</p> <p>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.</p> <p>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 scheduled meeting time, the chair may announce postponement of the meeting to a later time of the <u>same day</u>, 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.</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 8</p> <p>1. When a board meeting is held, the Finance Department shall furnish the attending directors with relevant materials for ready reference.</p> <p>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.</p> <p>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.</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>In accordance with Jin-Guan- Zheng-Fa- Zi Document #1120383996.</p>
<p>Article 11</p> <p>1. A board meeting shall follow the agenda given in the meeting notice.</p>	<p>Article 11</p> <p>1. A board meeting shall follow the agenda given in the meeting notice.</p>	

Amended article	Current article	Descriptions
<p>However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p>2. The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.</p> <p>3. At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Paragraph 3 of Article 8 shall apply.</p> <p>4. <u>At any time during the course of a board meeting, if the chairperson is unable to preside over the meeting for some reason or fails to announce the end of the meeting in accordance with the provisions of Paragraph 2, the election of the acting chairperson shall be subject to the provisions of Paragraph 3 of Article 7.</u></p>	<p>However, the agenda may be changed with the approval of a majority of directors in attendance at the board meeting.</p> <p>2. The chair may not declare the meeting closed without the approval of a majority of the directors in attendance at the meeting.</p> <p>3. At any time during the course of a board meeting, if the number of directors sitting at the meeting does not constitute a majority of the attending directors, then upon the motion by a director sitting at the meeting, the chair shall declare a suspension of the meeting, in which case Paragraph 3 of Article 8 shall apply.</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, 2023 and 2022 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, 2023 and 2022 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, 2023, 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 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 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 74% 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 evaluated 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) "Evaluation of impairment of investments accounted for using the equity method" to the standalone financial statements for the uncertainty of estimates and assumptions 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, 2023 and 2022 accounted for 0.87% and 1.09% 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, 2023 and 2022 accounted for 3.58% and 4.22% 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, 2023. 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 Approval Document No.	Financial Supervisory Commission Approval Document, Reference No.: FSC Zheng-Sheng-Zi NO. 1000011652
	Financial Supervisory Commission Approval Document, Reference No.: FSC Zheng-Sheng-Zi NO. 1100333824

March 7, 2024

Shihlin Development Company Limited
Balance Sheets
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Assets		2023.12.31		2022.12.31		Liabilities and equity		2023.12.31		2022.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$ 622,225	7	697,129	10	2100	Short-term borrowings (Note 6(11))	\$ 2,776,200	34	1,587,223	23
1150	Notes and accounts receivable, net (Notes 6(3) and (19))	7	-	504	-	2110	Short-term notes and bills payable (Note 6(12))	199,546	2	-	-
1200	Other receivables (Note 6(4))	57,391	1	42,008	1	2130	Contract liabilities - current (Note 6(19))	724,258	9	591,618	9
130X	Inventories (Notes 6(5) and 8)	6,123,488	74	4,602,140	66	2150	Notes payable	2,550	-	-	-
1410	Prepayment	167,130	2	147,636	2	2170	Accounts payable	341,754	4	445,882	6
1476	Other financial assets - current (Notes 6(10) and 8)	368,065	4	508,807	7	2200	Other payables (Note 7)	57,204	1	65,198	1
1479	Other current assets - others	7,179	-	6,429	-	2250	Provision for liabilities - current (Note 6(15))	151	-	101	-
1480	Incremental cost of obtaining contracts - current	226,203	3	228,806	3	2280	Lease liabilities - current (Notes 6(14) and 7)	7,304	-	3,169	-
		<u>7,571,688</u>	<u>91</u>	<u>6,233,459</u>	<u>89</u>	2310	Advance receipts	300	-	622	-
Non-current assets:						2320	Long-term liabilities due within one year or one operating cycle (Note 6 (13))	599,940	7	-	-
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	66,813	1	46,244	1	2399	Other current liabilities - others	1,392	-	3,236	-
1550	Investments using the equity method (Notes 6(6) and 7)	278,011	4	271,304	4			<u>4,710,599</u>	<u>57</u>	<u>2,697,049</u>	<u>39</u>
1600	Property, plant and equipment (Note 6(7))	711	-	1,121	-	Non-current liabilities:					
1755	Right-of-use assets (Note 6(8))	13,774	-	3,633	-	2530	Corporate bonds payable (Note 6(13))	2,196,102	26	2,794,291	40
1760	Net investment property (Notes 6(9))	6,809	-	6,809	-	2580	Lease liabilities - non-current (Notes 6(14) and 7)	6,533	-	1,871	-
1780	Intangible assets	811	-	500	-	2670	Other non-current liabilities - others	449	-	584	-
1980	Other financial assets - non-current (Notes 6(10) and 8)	341,418	4	394,872	6			<u>2,203,084</u>	<u>26</u>	<u>2,796,746</u>	<u>40</u>
1990	Other non-current assets - others	-	-	185	-		Total liabilities	<u>6,913,683</u>	<u>83</u>	<u>5,493,795</u>	<u>79</u>
		<u>708,347</u>	<u>9</u>	<u>724,668</u>	<u>11</u>	Equity: (Note 6(17)):					
						3100	Share capital	2,263,791	27	2,263,791	33
						3200	Capital surplus	17,484	-	17,484	-
						3300	Retained earnings	(710,645)	(8)	(591,804)	(9)
						3400	Other equity interest	(204,278)	(2)	(225,139)	(3)
							Total equity	<u>1,366,352</u>	<u>17</u>	<u>1,464,332</u>	<u>21</u>
Total assets		<u>\$ 8,280,035</u>	<u>100</u>	<u>6,958,127</u>	<u>100</u>	Total liabilities and equity		<u>\$ 8,280,035</u>	<u>100</u>	<u>6,958,127</u>	<u>100</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 Comprehensive Income
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	2023		2022	
	Amount	%	Amount	%
4000 Operating income (Note 6(19))	\$ 3,387	100	25,476	100
5000 Operating costs (Note 6(5))	332	10	14,358	56
Gross profit	<u>3,055</u>	<u>90</u>	<u>11,118</u>	<u>44</u>
Operating expenses (Notes 6(14) and (15)):				
6100 Marketing expenses	-	-	2,291	9
6200 Management expenses	<u>97,523</u>	<u>2,879</u>	<u>100,591</u>	<u>395</u>
	<u>97,523</u>	<u>2,879</u>	<u>102,882</u>	<u>404</u>
Net operating loss	<u>(94,468)</u>	<u>(2,789)</u>	<u>(91,764)</u>	<u>(360)</u>
Non-operating income and expenses:				
7100 Interest income (Note 6(21))	16,926	500	6,595	26
7010 Other income (Notes 6(21) and 7)	4,296	127	14,962	59
7020 Other gains and losses (Note 6 (21))	(10,469)	(309)	(8,787)	(34)
7050 Finance costs (Notes 6(21) and 7)	(54,345)	(1,605)	(53,671)	(211)
7070 Share of profits or losses on subsidiaries and associates recognized using the equity method (Note 6(6))	<u>18,752</u>	<u>553</u>	<u>(75,426)</u>	<u>(296)</u>
Total non-operating income and expenses	<u>(24,840)</u>	<u>(734)</u>	<u>(116,327)</u>	<u>(456)</u>
7900 Net loss before tax	(119,308)	(3,523)	(208,091)	(816)
7950 Income tax expenses (Note 6(16))	-	-	-	-
8200 Net loss for the period	<u>(119,308)</u>	<u>(3,523)</u>	<u>(208,091)</u>	<u>(816)</u>
8300 Other comprehensive income:				
8310 Items not reclassified to profit or loss				
8311 Remeasurement of defined benefit plans	467	14	-	-
8316 Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	20,569	607	(7,630)	(30)
8330 Share of other comprehensive income of subsidiaries, associates, and joint ventures recognized using the equity method - items not reclassified to profit or loss	292	9	3,034	12
8349 Income tax related to items not reclassified	-	-	-	-
Comprehensive income for the period	<u>21,328</u>	<u>630</u>	<u>(4,596)</u>	<u>(18)</u>
8500 Total comprehensive income for the period	<u>\$ (97,980)</u>	<u>(2,893)</u>	<u>(212,687)</u>	<u>(834)</u>
Loss per share (Unit: NTD) (Note 6(18))				
9750 Basic loss per share	<u>\$ (0.53)</u>		<u>(0.92)</u>	
9850 Diluted loss per share	<u>\$ (0.53)</u>		<u>(0.92)</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, 2023 and 2022

Unit: NTD thousand

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Retained earnings</u>			<u>Other equity items</u> <u>Unrealized valuation gain or loss on financial assets at fair value through other comprehensive income</u>	<u>Total equity</u>
			<u>Legal reserve</u>	<u>Deficit to be compensated</u>	<u>Total</u>		
Balance as at January 1, 2022	\$ 2,263,791	17,484	50,262	(437,063)	(386,801)	(217,455)	1,677,019
Net loss for the period	-	-	-	(208,091)	(208,091)	-	(208,091)
Comprehensive income for the period	-	-	-	3,088	3,088	(7,684)	(4,596)
Total comprehensive income for the period	-	-	-	(205,003)	(205,003)	(7,684)	(212,687)
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>	<u>1,464,332</u>
Net loss for the period	-	-	-	(119,308)	(119,308)	-	(119,308)
Comprehensive income for the period	-	-	-	467	467	20,861	21,328
Total comprehensive income for the period	-	-	-	(118,841)	(118,841)	20,861	(97,980)
Balance as at December 31, 2023	<u>\$ 2,263,791</u>	<u>17,484</u>	<u>50,262</u>	<u>(760,907)</u>	<u>(710,645)</u>	<u>(204,278)</u>	<u>1,366,352</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, 2023 and 2022

Unit: NTD thousand

	2023	2022
Cash flow from operating activities		
Net loss before tax for the period	\$ (119,308)	(208,091)
Adjustments:		
Income and expenses		
Depreciation expense	8,206	8,007
Amortization expense	466	429
Interest expense	54,345	53,671
Interest income	(16,926)	(6,595)
Dividend income	(24)	(36)
Share of losses (profits) on subsidiaries and associates recognized using the equity method	(18,752)	75,426
Others	16,635	(13,974)
Total income and expenses	43,950	116,928
Changes in assets/liabilities related to operating activities:		
Net change in assets related to operating activities:		
Decrease in notes and accounts payable	497	358
Decrease in other receivables	2,276	1,417
Increase in inventory	(1,496,813)	(1,173,595)
Increase in prepayment	(38,603)	(71,395)
Decrease (increase) in other current assets	868	(7,147)
Decrease in incremental cost of obtaining contracts	-	2,291
Decrease in other financial assets	73,154	231,934
Total of net change in assets related to operating activities	(1,458,621)	(1,016,137)
Net change in liabilities related to operating activities:		
Increase in contract liabilities	132,640	136,501
Increase (decrease) in notes payable	2,550	(10,824)
Increase (decrease) in accounts payable	(100,483)	263,122
Decrease in other payables	(6,578)	(35,948)
Increase (decrease) in provision	50	(313)
Increase (decrease) in advance receipts	(322)	12
Increase (decrease) in other current liabilities	(1,844)	606
Total of net change in liabilities related to operating activities	26,013	353,156
Total net changes in assets and liabilities related to operating activities	(1,432,608)	(662,981)
Total adjustments	(1,388,658)	(546,053)
Cash outflow from operations	(1,507,966)	(754,144)
Interest received	17,002	6,087
Dividends received	6,940	8,675
Interest paid	(83,725)	(61,740)
Income tax paid	(1,618)	(446)
Net cash outflow from operating activities	(1,569,367)	(801,568)

Shihlin Development Company Limited
Statements of Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	<u>2023</u>	<u>2022</u>
Cash flow from investing activities:		
Capital contributions returned due to liquidation of subsidiary	5,888	-
Acquisition of property, plant and equipment	(115)	(451)
Acquisition of intangible assets	(777)	(557)
Increase in other financial assets	(14,022)	(280,710)
Decrease in other financial assets	<u>123,995</u>	<u>66,160</u>
Net cash inflow (outflow) from investing activities	<u>114,969</u>	<u>(215,558)</u>
Cash flow from financing activities:		
Increase in short-term borrowings	1,593,000	453,000
Decrease in short-term borrowings	(404,023)	(1,212,500)
Increase in short-term notes and bills payable	200,000	-
Decrease in short-term notes and bills payable	-	(299,616)
Issuance of corporate bonds	-	1,200,000
Increase in guarantee deposits received	-	97
Decrease in guarantee deposits received	(135)	-
Lease principal repayment	<u>(9,348)</u>	<u>(7,817)</u>
Net cash inflow from financing activities	<u>1,379,494</u>	<u>133,164</u>
Decrease in cash and cash equivalents for the period	(74,904)	(883,962)
Opening balance of cash and cash equivalents	<u>697,129</u>	<u>1,581,091</u>
Ending balance of cash and cash equivalents	<u>\$ 622,225</u>	<u>697,129</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, 2023 and 2022 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, 2023 and 2022 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, 2023, 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(20) 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:

Understood the 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; randomly checked customers' bills and uniform invoices and other materials from the sales for a selected period before and after the balance sheet date to see if they were consistent with the billing records to evaluate if 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 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 63% 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 evaluated 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) "Evaluation of impairment of property, plant and equipment, and right-of-use assets" to the consolidated financial statements for the estimate of asset impairment and assumption uncertainties. Please refer to Notes 6(7) and (8) 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, 2023 accounted for 14% 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, 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 evaluated 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, 2023 and 2022 accounted for 1.58% and 2.09% of the total consolidated assets, respectively. Its net operating income for the years ended December 31, 2023 and 2022 accounted for 13.13% and 16.43% of the consolidated net operating income, respectively.

Among the investments using the equity method included in the Group's consolidated financial statements, part of 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, 2023 and 2022 accounted for 0.23% and 0.31% 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, 2023 and 2022 accounted for 3.85% and 3.76% of the consolidated net loss before tax, respectively.

The Group has prepared the standalone financial statements for the years ended December 31, 2023 and 2022, 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, 2023. 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 Approval
Document No.

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

March 7, 2024

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

Assets	2023.12.31		2022.12.31		Liabilities and equity	2023.12.31		2022.12.31	
	Amount	%	Amount	%		Amount	%	Amount	%
Current assets:					Current liabilities:				
1100 Cash and cash equivalents (Note 6(1))	\$ 865,395	9	853,603	10	2100 Short-term borrowings (Note 6(11))	\$ 2,976,200	31	1,867,223	22
1170 Notes and accounts receivable, net (Notes 6(3) and (20))	20,684	-	16,994	-	2110 Short-term notes and bills payable (Note 6(12))	239,546	2	-	-
1200 Other receivables (Note 6(4))	58,581	1	43,054	1	2130 Contract liabilities - current (Note 6(20))	739,217	8	607,969	7
130X Inventories (Notes 6(5) and 8)	6,205,515	63	4,631,819	54	2150 Notes payable	2,621	-	370	-
1410 Prepayment	175,244	2	153,461	2	2170 Accounts payable (Note 7)	365,451	4	464,070	6
1476 Other financial assets - current (Notes 6(10) and 8)	388,065	4	634,987	7	2200 Other payables (Note 7)	114,028	1	103,444	1
1479 Other current assets - others	7,390	-	7,647	-	2230 Income tax liabilities for the period (Note 6(17))	766	-	2,883	-
1480 Incremental cost of obtaining contracts - current	226,203	2	228,806	3	2250 Provision for liabilities - current (Note 6(16))	2,564	-	4,020	-
	<u>7,947,077</u>	<u>81</u>	<u>6,570,371</u>	<u>77</u>	2280 Lease liabilities - current (Notes 6(15) and 7)	110,315	1	109,606	1
					2310 Advance receipts	646	-	991	-
Non-current assets:					2320 Long-term liabilities due within one year or one operating cycle (Notes 6(13) and (14))	605,723	6	-	-
1517 Financial assets at fair value through other comprehensive income - non-current (Note 6(2))	93,681	1	72,438	1	2399 Other current liabilities - others	5,294	-	6,610	-
1550 Investments using the equity method (Note 6(6))	22,173	-	26,519	-		<u>5,162,371</u>	<u>53</u>	<u>3,167,186</u>	<u>37</u>
1600 Property, plant and equipment (Notes 6(7) and (26))	358,676	4	401,858	5	Non-current liabilities:				
1755 Right-of-use assets (Note 6(8))	926,059	10	1,036,231	12	2530 Corporate bonds payable (Note 6(14))	2,196,102	22	2,794,291	33
1760 Net investment property (Notes 6(9))	6,809	-	6,809	-	2541 Long-term bank borrowings (Note 6(13))	29,217	-	-	-
1780 Intangible assets	811	-	500	-	2550 Provisions - non-current	9,964	-	-	-
1840 Deferred tax assets (Note 6(17))	7,758	-	8,590	-	2580 Lease liabilities - non-current (Notes 6(15) and 7)	929,497	10	1,046,718	12
1980 Other financial assets - non-current (Notes 6(10) and 8)	413,594	4	427,805	5	2650 Investment credit balance using the equity method (Note 6(6))	1,047	-	1,047	-
1990 Other non-current assets - others	-	-	185	-	2670 Other non-current liabilities - others	882	-	769	-
1975 Net defined benefit assets - non-current (Note 6(16))	5,983	-	4,821	-		<u>3,166,709</u>	<u>32</u>	<u>3,842,825</u>	<u>45</u>
	<u>1,835,544</u>	<u>19</u>	<u>1,985,756</u>	<u>23</u>	Total liabilities	<u>8,329,080</u>	<u>85</u>	<u>7,010,011</u>	<u>82</u>
					Equity attributable to owners of the parent company (Note 6(18)):				
					3100 Share capital	2,263,791	23	2,263,791	27
					3200 Capital surplus	17,484	-	17,484	-
					3300 Retained earnings	(710,645)	(7)	(591,804)	(7)
					3400 Other equity interest	(204,278)	(2)	(225,139)	(3)
					Subtotal of equity attributable to owners of the parent company	<u>1,366,352</u>	<u>14</u>	<u>1,464,332</u>	<u>17</u>
					36XX Non-controlling interests (Note 6(18))	87,189	1	81,784	1
					Total equity	<u>1,453,541</u>	<u>15</u>	<u>1,546,116</u>	<u>18</u>
Total assets	<u>\$ 9,782,621</u>	<u>100</u>	<u>8,556,127</u>	<u>100</u>	Total liabilities and equity	<u>\$ 9,782,621</u>	<u>100</u>	<u>8,556,127</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, 2023 and 2022

Unit: NTD thousand

	2023		2022	
	Amount	%	Amount	%
4000 Operating income (Notes 6(20) and 7)	\$ 609,213	100	452,193	100
5000 Operating costs (Note 6(5))	305,387	50	311,247	69
Gross profit	303,826	50	140,946	31
Operating expenses: (Notes 6(15), (16) and 7):				
6100 Marketing expenses	99,236	16	82,150	18
6200 Management expenses	259,887	43	242,465	54
	359,123	59	324,615	72
Net operating loss	(55,297)	(9)	(183,669)	(41)
Non-operating income and expenses:				
7100 Interest income (Note 6(22))	21,711	3	8,674	2
7010 Other income (Note 6(22))	9,811	2	39,354	9
7020 Other gains and losses (Note 6 (22))	(5,486)	(1)	(225)	-
7050 Finance costs (Notes 6(22) and 7)	(79,304)	(13)	(77,879)	(17)
7060 Share of profits or losses on associates recognized using the equity method (Note 6(6))	(4,346)	(1)	(11,613)	(3)
Total non-operating income and expenses	(57,614)	(10)	(41,689)	(9)
7900 Net loss before tax	(112,911)	(19)	(225,358)	(50)
7950 Less: Income tax expenses (Note 6(17))	1,986	-	2,821	1
Net loss for the period	(114,897)	(19)	(228,179)	(51)
8300 Other comprehensive income:				
8310 Items not reclassified to profit or loss				
8311 Remeasurement of defined benefit plans	1,079	-	7,133	2
8316 Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	21,243	-	(7,755)	(2)
8349 Less: Income tax related to items not reclassified	-	-	-	-
Other comprehensive income (net after tax) for the period	22,322	4	(622)	-
8500 Total comprehensive income for the period	\$ (92,575)	(15)	(228,801)	(51)
Net loss for the period attributable to:				
8610 Owners of the parent company	\$ (119,308)	(20)	(208,091)	(47)
8620 Non-controlling interests	4,411	1	(20,088)	(4)
	\$ (114,897)	(19)	(228,179)	(51)
Total comprehensive income attributable to:				
8710 Owners of the parent company	\$ (97,980)	(16)	(212,687)	(47)
8720 Non-controlling interests	5,405	1	(16,114)	(4)
	\$ (92,575)	(15)	(228,801)	(51)
Loss per share (Unit: NTD) (Note 6(19))				
9750 Basic loss per share	\$	(0.53)	(0.92)	
9850 Diluted loss per share	\$	(0.53)	(0.92)	

(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, 2023 and 2022

Unit: NTD thousand

	Equity attributable to owners of the parent company					Other equity items 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
	Share capital		Retained earnings						
	Common stock	Capital surplus	Legal reserve	Deficit to be compensated	Total				
Balance as at January 1, 2022	\$ 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
Net loss for the period	-	-	-	(119,308)	(119,308)	-	(119,308)	4,411	(114,897)
Comprehensive income for the period	-	-	-	467	467	20,861	21,328	994	22,322
Total comprehensive income for the period	-	-	-	(118,841)	(118,841)	20,861	(97,980)	5,405	(92,575)
Balance as at December 31, 2023	\$ 2,263,791	17,484	50,262	(760,907)	(710,645)	(204,278)	1,366,352	87,189	1,453,541

(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, 2023 and 2022

	Unit: NTD thousand	
	2023	2022
Cash flow from operating activities		
Net loss before tax for the period	\$ (112,911)	(225,358)
Adjustments:		
Income and expenses:		
Depreciation expense	168,672	181,346
Amortization expense	466	429
Interest expense	79,304	77,879
Interest income	(21,711)	(8,674)
Dividend income	(1,124)	(4,157)
Share of profit or loss of associates recognized using the equity method	4,346	11,613
Loss (gain) on disposal and scrapping of property, plant and equipment	(157)	528
Reclassification of property, plant and equipment	129	819
Gain on disposal of investments using the equity method	-	(12,445)
Rent concessions	-	(9,322)
Others	16,451	(13,974)
Total income and expenses	<u>246,376</u>	<u>224,042</u>
Changes in assets and liabilities related to operating activities:		
Net change in assets related to operating activities:		
Net increase in notes and accounts receivable	(3,690)	(8,002)
Decrease in other receivables	1,604	1,161
Increase in inventory	(1,549,161)	(1,197,846)
Increase in prepayment	(40,855)	(73,494)
Decrease (increase) in other current assets	1,837	(6,922)
Increase in net defined benefit assets	(83)	(4,821)
Decrease in incremental cost of obtaining contracts	-	2,291
Decrease in other financial assets	73,153	231,934
Total net change in assets related to operating activities	<u>(1,517,195)</u>	<u>(1,055,699)</u>
Net change in liabilities related to operating activities:		
Increase in contract liabilities	131,248	129,063
Increase (decrease) in notes payable	2,251	(10,454)
Increase (decrease) in accounts payable	(94,974)	262,697
Increase (decrease) in other payables	16,205	(15,578)
Increase (decrease) in provision	(1,456)	990
Increase (decrease) in advance receipts	(345)	414
Increase (decrease) in other current liabilities	(1,316)	1,213
Increase in net defined benefit liability	-	4,689
Total net change in liabilities related to operating activities	<u>51,613</u>	<u>373,034</u>
Total net changes in assets and liabilities related to operating activities	<u>(1,465,582)</u>	<u>(682,665)</u>
Total adjustments	<u>(1,219,206)</u>	<u>(458,623)</u>
Cash outflow from operations	(1,332,117)	(683,981)
Interest received	22,315	7,635
Dividends received	1,124	12,796
Interest paid	(89,115)	(86,056)
Income tax paid	(4,851)	(2,539)
Net cash outflow from operating activities	<u>(1,402,644)</u>	<u>(752,145)</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 Cash Flows (Continued)
For the Years Ended December 31, 2023 and 2022

Unit: NTD thousand

	2023	2022
Cash flow from investing activities:		
Investments using the equity method disposed of	-	38,710
Acquisition of property, plant and equipment	(17,317)	(6,190)
Disposal of property, plant and equipment	446	11
Acquisition of intangible assets	(777)	(557)
Increase in other financial assets	(58,254)	(372,698)
Decrease in other financial assets	235,165	66,160
Decrease in other non-current assets	185	-
Net cash inflow (outflow) from investing activities	159,448	(274,564)
Cash flow from financing activities:		
Increase in short-term borrowings	1,793,000	833,000
Decrease in short-term borrowings	(684,023)	(1,552,500)
Increase in short-term notes and bills payable	240,000	-
Decrease in short-term notes and bills payable	-	(299,616)
Issuance of corporate bonds	-	1,200,000
Long-term borrowings	35,000	-
Increase in guarantee deposits received	248	-
Decrease in guarantee deposits received	(135)	(3)
Lease principal repayment	(129,102)	(123,092)
Net cash inflow from financing activities	1,254,988	57,789
Increase (decrease) in cash and cash equivalents for the period	11,792	(968,920)
Opening balance of cash and cash equivalents	853,603	1,822,523
Ending balance of cash and cash equivalents	\$ 865,395	853,603

(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 surplus earnings distribution or loss make-up
2023

Unit: NT\$

Item	Amount
Losses to be made up at opening	(642,066,308)
Less: Net loss after tax in the year.	(119,308,110)
Add: Other comprehensive income – change in remeasurement of defined benefit plans for the period	466,722
Losses to be made up at closing	(760,907,696)

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,
Hsin-Cheng

Chief accounting officer:
Kuo, Ying-Yen