

Stock Code: 5324



SHIHLIN DEVELOPMENT COMPANY LIMITED.

# 2022 Annual General Meeting

## Meeting Handbook

Date of meeting: June 10, 2022

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

# Shihlin Development Company Limited

## Meeting Handbook for 2022 Annual General Meeting

	Page
I. Meeting Procedure.....	1
II. Meeting Agenda.....	2
III. Management Presentation (Company Reports)	
Motion 1: 2021 Business Report.....	3
Motion 2: Report on the 2021 financial statements reviewed by the Audit Committee.....	3
Motion 3: Report on the state of secured corporate bonds issued by the Company in 2021.....	3
IV. Proposals for acknowledgement	
Motion 1: Motion for the 2021 business report and financial statements.....	4
Motion 2: Motion to make good the loss in 2021.....	4
V. Discussion	
Motion on amendment to “Procedures for the Acquisition or Disposal of Assets” .....	5
VI. Elections	
Motion for overall reelection of all directors of the Company.....	6
VII. Other motions	
Motion on lifting the newly elected directors and the representatives thereof from prohibition of business strife.....	6
VIII. Annexes	
1. 2021 business report (Annex 1).....	8
2. Report on the 2021 financial statements reviewed by the Audit Committee (Annex 2).....	12
3. CPAs’ audit report, standalone and consolidated financial statements (Annex 3).....	13
4. Table on supplementary makeup of loss (Annex 4).....	33

5. Comparative Table of Contents of the Pre-Amendment and Post-Amendment Procedures for the Acquisition or Disposal of Assets (Annex 5).....	34
6. List of the candidates for directors and independent directors (Annex 6).....	54
7. Contents on the newly elected directors and the representatives thereof regarding prohibition of business strife (Annex 7).....	55

## IX. Appendices

1. Articles of Incorporation.....	56
2. Rules of Procedure for Shareholders' Meetings.....	63
3. Regulations Governing Director Elections.....	66
4. The numbers of shares held by directors and the minimum threshold of their shareholding.....	69

Shihlin Development Company Limited  
Procedure of 2022 Annual General Meeting

- I. Call Meeting to Order
- II. Chair Remarks
- III. Management Presentation (Company Reports)
- IV. Proposals
- V. Discussion
- VI. Election process
- VII. Other motions
- VIII. Extemporaneous (unscheduled) motion (s)
- IX. Meeting adjourned

## Shihlin Development Company Limited 2022 Annual General Meeting Agenda

Method to hold the meeting: A physical (substantial) meeting

Time: 9:00 a.m. on June 10 (Friday), 2022

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

- I. Call Meeting to Order
- II. Chair Remarks
- III. Management Presentation (Company Reports):
  - Motion 1: 2021 Business Report.
  - Motion 2: Report on the 2021 financial statements reviewed by the Audit Committee.
  - Motion 3: Report on the state of secured corporate bonds issued by the Company in 2021.
- IV. Proposals for acknowledgement
  - Motion 1: Motion for the 2021 business report and financial statements.
  - Motion 2: Motion to make good the loss in 2021.
- V. Discussion:
  - Motion on amendment to “Procedures for the Acquisition or Disposal of Assets”
- VI. Election process
  - Motion for overall reelection of all directors of the Company.
- VII. Other motion(s)
  - Motion on lifting the newly elected directors and the representatives thereof from prohibition of business strife.
- VIII. Extemporaneous (unscheduled) motion (s)
- IX. Meeting adjourned

## **Management Presentation (Company Reports)**

### Motion 1

Reason: 2021 business report. Please review.

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

### Motion 2

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

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

### Motion 3:

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

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

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

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

## **Proposals**

### **Motion 1**

Proposed by the Board of Directors

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

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

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

Resolution:

### **Motion 2**

Proposed by the Board of Directors

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

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

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

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

Resolution:

## **Discussion**

Proposed by the Board of Directors

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

Descriptions: 1. The motion is duly proposed in accordance with Letter

Jin-Guan-Zheng-Fa-Zi 1110380465 dated January 28 2022.

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

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

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

Resolution:



## **Elections:**

Proposed by the Board of Directors

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

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

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

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

Outcome of the election process:

## **Other motions**

Proposed by the Board of Directors

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

Descriptions: 1. As expressly provided for in Article 209 of the Company Act, a newly elected director of the Company who does anything in investment or engaging in an act similar to the scope of the Company's business lines for himself or herself or on behalf of another person shall explain to the meeting of shareholders the essential contents of such an act and obtain the approval in the very premise without being harmful to the Company's interests:

2. For the contents to lift the Company's candidates of directors (including independent directors) of Year 2022 from prohibition of business strife, please refer to Annex 7 of the present Handbook. The very targets to be lifted from prohibition of business strife shall, nevertheless, be confined

to the directors (including independent directors) substantially elected. According to law, the motion is herewith proposed to the shareholders' regular meeting for an approval to lift the newly elected directors and the representatives thereof from prohibition of business strife.

Resolution:

Extraordinary Motion  
Meeting adjourned

## [Annex I]

### Shihlin Development Company Limited 2021 Business Report

Dear Shareholders,

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

#### I. 2021 Operating Results

##### (I) Business plan implementation results

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

##### (II) Budget implementation:

Unit: NT\$ thousand

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

##### (III) Analyses into financial revenues and expenditures and profitability

Unit: NT\$ thousand

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

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

##### (IV) Research and development work

We hold a firm grasp of the real estate market and can carefully evaluate the location of the product, features of the surrounding environment, and the needs of consumers, while developing plans for simple designs that live side by side with the environment. We also choose quality architectural teams and follow all applicable construction laws to plan our buildings, integrating aesthetics and practical functions to provide consumers with long-term

housing that is “100% space efficient.” In addition, the Company will carry out research associated with urban renewal, commercial real estate, and affordable housing in conjunction with future continuous development.

## II. Summary of 2022 business plan

### (I) Business policy:

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

### (II) Projected sales volume and basis:

Project launched for sales

Project name	Location/base area	Description
Lin-Yi-Ruo-Zhuo	Zhongzheng District, approximately 131 <i>ping</i> (433 square meters)	The aggregate total sale amount might be approximately NT\$670 million, with 50% of which had been sold out during the latent sales period. The entire project was

		completed and delivered to buyers in 2021. Subsequently as the market status may justify, we shall flexibly adjustment sales strategies.
Jing-An-Shu-Yu	Tianmu, approximately 505 <i>ping</i> (1669.4 square meters)	This project has been sold out, with a total sales amount of NT\$1.1 billion and is expected to be completed in 2024.
Yang-Ming-Zhi-Yuan	Shipai, approximately 488 <i>ping</i> (1613.2 square meters)	This project has been sold out, with a total sales amount of NT\$1 billion and is expected to be completed in 2024.
Mei-Hao-Ri-An	Tianmu, approximately 173 <i>ping</i> (571.9 square meters)	This project has been sold out, with a total sales amount of NT\$0.3 billion and is expected to be completed in 2024.
Cheng-Xin-Yao-Yao	Datong District, approximately 1,009 <i>ping</i> (3335.5 square meters)	The aggregate total sales might be approximately NT\$4.8 billion. In 2021 through open sales to public, we already accomplished 50% of the total target. Subsequently we shall flexibly adjust the sales strategies as the market status may justify. The entire Project is scheduled to be completed and delivered to buyers by 2026.

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

### (III) Production and sales policies:

#### 1. Production strategy-

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

#### 2. Sales strategy-

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

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

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

Looking forward to the upcoming year, we are prudentially optimistic toward future. Amidst the financial policy control (notably restrictions upon third personnel household loans, corporate loans and real estate loans), taxation systems (housing & land integration tax, housing speculator tax and other law amendments), pressure upon interest rate hike, trends in economic growth, rising construction costs and the like which are untowardly affecting real estate industry. Moreover, amidst the demographic changes along with social transition (notably low birthrates, old aging and such factors) which tend to make the housing market focus back to the fundamentals. Accordingly, those small-scale housing units in downtown regions backed up with transportation construction programs, enriched functions for daily rounds along with friendly old communities are more promising to live up to our needs.

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

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

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

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,  
Hsin-Cheng

Chief accounting officer: Kuo,  
Ying-Yen

## Audit Committee's Review Report

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

Sincerely

The Company's 2022 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee: Wang,  
Chia-Kun

March 21, 2022

## **[Annex III]**

### **Independent Auditors' Report**

To Shihlin Development Company Limited,

#### **Auditors' opinions**

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

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

#### **Basis for the audit opinion**

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

#### **Key audit matters**

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

##### **1. Income recognition**

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

Description of key audit matters:

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



Audit procedures:

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

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

2. Inventory valuation

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

Description of key audit matters:

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

Audit procedures:

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

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

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

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

Description of key audit matters:

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

Audit procedures:

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

method.

### **Other matters**

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

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

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

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

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

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

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

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

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

standalone financial statements to pay attention to relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

KPMG Taiwan

CPA:

Competent Security Authority  
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 21, 2022

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

**Unit: NT\$ thousand**

		<u>2021.12.31</u>		<u>2020.12.31</u>				<u>2021.12.31</u>		<u>2020.12.31</u>	
Assets		<u>Amount</u>		<u>Amou nt</u>		Liabilities and equity		<u>Amount</u>		<u>Amou nt</u>	
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (Note 6(1))	\$	1,581,091	24	559,720	17	2100	Short-term borrowings (Notes 6(11) and 8)	\$	2,346,723	35
1150	Notes and accounts receivable, net (Notes 6(3) and (20))		9,352	-	8,490	-	2110	Short-term notes and bills payable (Note 6(12))		299,616	4
1200	Other receivables (Note 6(4))		1,647	-	2,225	-	2130	Contract liabilities - current (Note 6(20))		455,151	7
130X	Inventories (Notes 6(5), 7, and 8)		3,412,855	51	1,592,245	50	2150	Notes payable		10,824	-
1410	Prepayment		76,241	1	52,712	2	2170	Accounts payable		186,478	3
1476	Other financial assets - current (Note 6(10))		745,003	11	425,836	13	2200	Other payables (Note 7)		105,878	2
1479	Other current assets - others		1,836	-	6,908	-	2220	Other payables - related parties (Note 7)		-	-
1480	Incremental cost of obtaining contracts - current		231,097	3	88,312	3	2250	Provision for liabilities - current (Note 6(15))		414	-
			6,059,122	90	2,736,448	85	2280	Lease liabilities - current (Notes 6(14) and 7)		6,860	-
	Non-current assets:					2310	Advance receipts		610	-	210
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))		53,874	1	82,021	3	2399	Other current liabilities - others		11,120	-
										3,423,674	51
1550	Investments using the equity method (Notes 6(6) and 7)		352,335	6	306,637	10		Non-current liabilities:			
1600	Property, plant and equipment (Note 6(7))		1,100	-	519	-	2530	Corporate bonds payable (Note 6(13))		1,595,540	24
1755	Right-of-use assets (Note 6(8))		9,584	-	13,164	-	2580	Lease liabilities - non-current (Notes 6(14) and 7)		4,221	-
1760	Net investment property (Notes 6(9))		6,809	-	6,809	-	2670	Other non-current liabilities - others		487	-
1780	Intangible assets		372	-	162	-				1,600,248	24
1980	Other financial assets - non-current (Note 6(10))		217,560	3	63,130	2		Total liabilities		5,023,922	75
1990	Other non-current assets - others		185	-	976	-		Equity: (Notes 6(17), (18), and 7)			
			641,819	10	473,418	15	3100	Share capital		2,263,791	34
							3200	Capital surplus		17,484	-
							3300	Retained earnings (deficit to be compensated)		(386,801)	(6)
							3400	Other equity interest		(217,455)	(3)
								Total equity		1,677,019	25
								Total liabilities and equity		\$ 6,700,941	100
										3,209,866	100
Total assets		\$	6,700,941	100	3,209,866	100					

**Chairman: Hsu, Yu-Shan**

**(Please refer to the Notes to the Standalone Financial Statements)**  
**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, 2021 and 2020**

Unit: NT\$ thousand

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

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

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

							Unit: NT\$ thousand
						Other equity items	
Retained earnings						Unrealized gain or loss on financial assets at fair value through other comprehensive income	
	Common stock	Capital surplus	Legal reserve	Deficit to be compensated	Total	Total equity	
Balance as at January 1, 2020	\$ 1,063,791	79,284	50,262	(324,692)	(274,430)	(185,856) 682,789	
Net profit for the period	-	-	-	14,379	14,379	- 14,379	
Comprehensive income for the period	-	-	-	86	86	(3,736) (3,650)	
Total comprehensive income for the period	-	-	-	14,465	14,465	(3,736) 10,729	
Changes in other capital surplus:							
Cash capital increase -employee stock options	-	641	-	-	-	- 641	
Cash capital increase	300,000	(15,738)	-	-	-	- 284,262	
Balance as at December 31, 2020	1,363,791	64,187	50,262	(310,227)	(259,965)	(189,592) 978,421	
Net loss for the period	-	-	-	(102,573)	(102,573)	- (102,573)	
Comprehensive income for the period	-	-	-	59	59	(27,920) (27,861)	
Total comprehensive income for the period	-	-	-	(102,514)	(102,514)	(27,920) (130,434)	
Changes in other capital surplus:							
Cash capital increase -employee stock options	-	435	-	-	-	- 435	
Cash capital increase	900,000	(47,138)	-	-	-	- 852,862	
Difference between the price of the acquisition or disposal of subsidiary's equity and the book value	-	-	-	(24,265)	(24,265)	- (24,265)	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	(57)	(57)	57 -	
Balance as at December 31, 2021	\$ 2,263,791	17,484	50,262	(437,063)	(386,801)	(217,455) 1,677,019	

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

**Chairman: Hsu, Yu-Shan**

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

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

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

**Unit: NT\$ thousand**

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

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

**Unit: NT\$ thousand**

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

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

**Chairman: Hsu, Yu-Shan**

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

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



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

**Unit: NT\$ thousand**

	2021	2020
<b>Independent Auditors' Report</b>		

To Shihlin Development Company Limited,

**Audit opinion**

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

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

**Basis for the audit opinion**

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

**Key audit matters**

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

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

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

Description of key audit matters:

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

Audit procedures:

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

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

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

2. Inventory valuation

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

Description of key audit matters:

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

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

Audit procedures:

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

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

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

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

Description of key audit matters:

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

Audit procedures:

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

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

### **Other matters**

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

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

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

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

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

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

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

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

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

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

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

audit opinion about the Group.

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

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

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

KPMG Taiwan

CPA:

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

March 21, 2022

**Shihlin Development Company Limited and Its Subsidiaries**

**Consolidated Balance Sheets**

**For the Years Ended December 31, 2021 and 2020**

**Unit: NT\$ thousand**

Assets		2021.12.31		2020.12.31		Liabilities and equity		2021.12.31		2020.12.31			
		Amount	%	Amount	%			Amount	%	Amount	%		
Current assets:						Current liabilities:							
1100	Cash and cash equivalents (Note 6(1))	\$	1,822,523	22	773,713	15	2100	Short-term borrowings (Note 6(13))	\$	2,586,723	31	740,000	15
1170	Notes and accounts receivable, net (Notes 6(3) and (22))		17,168	-	20,642	-	2110	Short-term notes and bills payable (Note 6(14))		299,616	4	599,251	12
1180	Accounts receivable - related parties, net (Notes 6(3), (22) and 7)		314	-	119	-	2130	Contract liabilities - current (Note 6(22))		478,906	6	288,601	6
1200	Other receivables (Note 6(4))		1,906	-	5,156	-	2150	Notes payable		10,824	-	16,769	-
1210	Other receivables - related parties (Notes 6(4) and 7)		-	-	3,377	-	2170	Accounts payable		205,091	3	73,189	1
130X	Inventories (Notes 6(5) and 8)		3,418,283	41	1,598,472	32	2180	Accounts payable - related parties (Note 7)		-	-	4,866	-
1410	Prepayment		79,967	1	57,930	1	2200	Other payables (Note 7)		140,436	2	95,601	2
1476	Other financial assets - current (Notes 6(12) and 9)		779,203	9	460,036	9	2220	Other payables - related parties (Note 7)		155	-	200,273	4
1479	Other current assets - others		3,243	-	7,754	-	2230	Income tax liabilities for the period (Note 6(18))		2,950	-	4,826	-
1480	Incremental cost of obtaining contracts - current		231,097	3	88,312	2	2250	Provision for liabilities - current (Note 6(17))		3,030	-	2,906	-
			6,353,704	76	3,015,511	59	2280	Lease liabilities - current (Notes 6(16) and 7)		104,765	1	105,501	2
							2310	Advance receipts		610	-	210	-
							2399	Other current liabilities - others		13,887	-	13,261	-
										3,846,993	47	2,145,254	42
Non-current assets:						Non-current liabilities:							
1517	Financial assets at fair value through other comprehensive income - non-current (Note 6(2))		80,193	1	107,818	2	2530	Corporate bonds payable (Note 6(15))		1,595,540	19	599,580	12
1550	Investments using the equity method (Note 6(6))		73,036	1	81,260	2	2580	Lease liabilities - non-current (Notes 6(16) and 7)		1,104,263	13	1,193,536	24
1600	Property, plant and equipment (Notes 6(8) and (28))		455,750	6	530,833	11	2640	Net defined benefit liabilities - non-current (Note 6(17))		2,443	-	2,709	-
1755	Right-of-use assets (Note 6(9))		1,096,019	13	1,193,597	24	2650	Investment credit balance using the equity method (Note 6(6))		1,047	-	1,047	-
1760	Net investment property (Notes 6(10))		6,809	-	6,809	-	2670	Other non-current liabilities - others		772	-	332	-
1780	Intangible assets (Note 6(11))		372	-	208	-				2,704,065	32	1,797,204	36
1840	Deferred tax assets (Note 6(18))		9,422	-	10,254	-				6,551,058	79	3,942,458	78
1980	Other financial assets - non-current (Notes 6(12) and 8)		250,485	3	97,095	2							
1990	Other non-current assets - others		185	-	1,007	-							
			1,972,271	24	2,028,881	41							

**Shihlin Development Company Limited and Its Subsidiaries**  
**Consolidated Statements of Comprehensive Income**  
**For the Years Ended December 31, 2021 and 2020**

		Unit: NT\$ thousand			
		2021		2020	
		Amount	%	Amount	%
4000	<b>Operating income (Notes 6 (22) and 7)</b>	\$ 736,271	100	369,550	100
5000	<b>Operating costs (Notes 6(5) and 7)</b>	595,806	81	319,245	86
	<b>Gross profit</b>	140,465	19	50,305	14
	<b>Operating expenses: (Notes 6(17) and 7)</b>				
6100	Marketing expenses	78,963	11	109,334	30
6200	Management expenses	242,607	33	233,439	63
6450	Expected credit impairment losses	-	-	330	-
		321,570	44	343,103	93
	<b>Net operating loss</b>	(181,105)	(25)	(292,798)	(79)
	<b>Non-operating income and expenses:</b>				
7100	Interest income (Note 6(24))	1,299	-	1,616	-
7010	Other income (Note 6(24))	36,299	5	32,479	9
7020	Other gains and losses (Notes 6 (24) and 7)	(658)	-	(63,470)	(17)
7050	Finance costs (Notes 6(24) and 7)	(52,787)	(7)	(32,670)	(9)
7060	Share of profit or loss of associates recognized using the equity method (Note 6(6))	49,198	7	291,513	79
	<b>Total non-operating income and expenses:</b>	33,351	5	229,468	62
7900	<b>Net loss before tax</b>	(147,754)	(20)	(63,330)	(17)
7950	<b>Less: Income tax expenses (benefits) (Note 6(18))</b>	3,566	-	(1,930)	(1)
	<b>Net loss for the period</b>	(151,320)	(20)	(61,400)	(16)
8300	<b>Other comprehensive income:</b>				
8310	<b>Items not reclassified to profit or loss</b>				
8311	Remeasurement of defined benefit plans	137	-	200	-
8316	Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income	(27,625)	(4)	(3,678)	(1)
8349	Less: Income tax related to items not reclassified	-	-	-	-
	<b>Other comprehensive income (net after tax) for the period</b>	(27,488)	(4)	(3,478)	(1)
8500	<b>Total comprehensive income for the period</b>	<b>(178,808)</b>	<b>(24)</b>	<b>(64,878)</b>	<b>(17)</b>
	<b>Net income (loss) for the period attributable to:</b>				
8610	Owners of the parent company	\$ (102,573)	(13)	14,379	5
8620	Non-controlling interests	(48,747)	(7)	(75,779)	(21)
		<b>\$ (151,320)</b>	<b>(20)</b>	<b>(61,400)</b>	<b>(16)</b>
	<b>Total comprehensive income attributable to:</b>				
8710	Owners of the parent company	\$ (130,434)	(17)	10,729	3
8720	Non-controlling interests	(48,374)	(7)	(75,607)	(20)
		<b>\$ (178,808)</b>	<b>(24)</b>	<b>(64,878)</b>	<b>(17)</b>
	<b>Earnings (loss) per share (Note 6(21))</b>				
9750	<b>Basic earnings (loss) per share (Unit: NTD)</b>	<b>\$ (0.64)</b>		<b>0.11</b>	
9850	<b>Diluted earnings (loss) per share (Unit: NTD)</b>	<b>\$ (0.64)</b>		<b>0.11</b>	

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

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

**Unit: NT\$ thousand**

	Equity attributable to owners of the parent company								
	Share capital					Other equity items		Non-controlling interests	Total equity
	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	Total equity attributable to owners of the parent company		
<b>Balance as at January 1, 2020</b>	\$ 1,063,791	79,284	50,262	(324,692)	(274,430)	(185,856)	682,789	199,120	881,909
Net income (loss) for the period	-	-	-	14,379	14,379	-	14,379	(75,779)	(61,400)
Comprehensive income for the period	-	-	-	86	86	(3,736)	(3,650)	172	(3,478)
Total comprehensive income for the period	-	-	-	14,465	14,465	(3,736)	10,729	(75,607)	(64,878)
Changes in other capital surplus:									
Cash capital increase -employee stock options	-	641	-	-	-	-	641	-	641
Cash capital increase	300,000	(15,738)	-	-	-	-	284,262	-	284,262
Balance as at December 31, 2020	1,363,791	64,187	50,262	(310,227)	(259,965)	(189,592)	978,421	123,513	1,101,934
Net loss for the period	-	-	-	(102,573)	(102,573)	-	(102,573)	(48,747)	(151,320)
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)
<b>Balance as at December 31, 2021</b>	<b>\$ 2,263,791</b>	<b>17,484</b>	<b>50,262</b>	<b>(437,063)</b>	<b>(386,801)</b>	<b>(217,455)</b>	<b>1,677,019</b>	<b>97,898</b>	<b>1,774,917</b>

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

**Chairman: Hsu, Yu-Shan**

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

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

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

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

# Shihlin Development Company Limited and Its Subsidiaries

## Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2021 and 2020

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,  
Hsin-Cheng

Chief accounting officer: Kuo,  
Ying-Yen

**[Annex IV]**

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

Unit: NT\$

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

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

**[Annex V]**

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

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

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

<p>handle the case by a means among price inquiry, price negotiation, price comparison or open tender subject to approval under the respective approval levels in a case below NT\$10 million; and shall be approved by the Chairman and further duly resolved and approved by the Audit Committee and Board of Directors beforehand in a case in excess of NT\$10 million.</p>	<p>handle the case by a means among price inquiry, price negotiation, price comparison or open tender subject to approval under the respective approval levels in a case below NT\$10 million; and shall be approved by the Chairman and further duly resolved and approved by the Audit Committee and Board of Directors beforehand in a case in excess of NT\$10 million.</p>	<p>obtained.</p>
<p>3. Executors In acquisition or disposal of real property, equipment or assets as the right to use the same by the Company, after the case is duly resolved and approved in accordance with the preceding Paragraph, the acquisition or disposal shall be duly executed by the Business Development and Management Department.</p>	<p>3. Executors In acquisition or disposal of real property, equipment or assets as the right to use the same by the Company, after the case is duly resolved and approved in accordance with the preceding Paragraph, the acquisition or disposal shall be duly executed by the Business Development and Management Department.</p>	
<p>4. An appraisal report for real property, equipment or assets as the right to use the same: Where the Company acquires or disposes of real property or assets as the right to use the same, except a transaction with the domestic government, by means of commissioned construction with own land, commissioned construction with leased land, or acquisition or disposal of the equipment to be used for own business operation or the assets as the right to use the same where the transaction amount is up to 20% of the Company's paid-in capital or over NT\$300 million, the Company shall acquire appraisal report from a professional appraiser before date of occurrence of the fact and shall satisfy the requirements as enumerated below: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of</p>	<p>4. An appraisal report for real property, equipment or assets as the right to use the same: Where the Company acquires or disposes of real property or assets as the right to use the same, except a transaction with the domestic government, by means of commissioned construction with own land, commissioned construction with leased land, or acquisition or disposal of the equipment to be used for own business operation or the assets as the right to use the same where the transaction amount is up to 20% of the Company's paid-in capital or over NT\$300 million, the Company shall acquire appraisal report from a professional appraiser before date of occurrence of the fact and shall satisfy the requirements as enumerated below: (1) Where due to special circumstances it is necessary to give a limited price, specified price, or special price as a reference basis for the transaction price, the transaction shall be submitted for approval in advance by the board of directors; the same procedure shall also be followed whenever there is any subsequent change to the terms and conditions of</p>	

<p>the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(5) The Company may adopt restricted prices, specific prices or extraordinary prices as the very grounds for reference in pricing, while the appraisal report is unavailable in real time as backed up by a justifiable reason, the Company shall obtain the appraisal report within two (2) weeks from date of occurrence of the fact. <u>Further within two (2) weeks from the very date on which the appraisal report is</u></p>	<p>the transaction.</p> <p>(2) Where the transaction amount is NT\$1 billion or more, appraisals from two or more professional appraisers shall be obtained.</p> <p>(3) Where any one of the following circumstances applies with respect to the professional appraiser's appraisal results, unless all the appraisal results for the assets to be acquired are higher than the transaction amount, or all the appraisal results for the assets to be disposed of are lower than the transaction amount, a certified public accountant shall be <u>engaged to perform the appraisal in accordance with the provisions of Statement of Auditing Standards No. 20 published by the ROC Accounting Research and Development Foundation (ARDF)</u> and render a specific opinion regarding the reason for the discrepancy and the appropriateness of the transaction price:</p> <p>A. The discrepancy between the appraisal result and the transaction amount is 20 percent or more of the transaction amount.</p> <p>B. The discrepancy between the appraisal results of two or more professional appraisers is 10 percent or more of the transaction amount.</p> <p>(4) No more than 3 months may elapse between the date of the appraisal report issued by a professional appraiser and the contract execution date; provided, where the publicly announced current value for the same period is used and not more than 6 months have elapsed, an opinion may still be issued by the original professional appraiser.</p> <p>(5) The Company may adopt restricted prices, specific prices or extraordinary prices as the very grounds for reference in pricing. <u>While the appraisal report and certified public accountant opinions</u></p>	<p>An outsourced expert shall faithfully comply with the self-discipline specifications of his or her trade association. Where it already covers the procedures for implementation while a certified public accountant issues opinions, the relevant wording is deleted.</p>
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<p><u>obtained, the Company shall obtain the opinions from the certified public accountant(s) under Subparagraph (III) of the present Paragraph.</u></p> <p>(6) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>(7) Where the Company acquires or disposes of assets through an open tender from a government entity, the Company may take the relevant supporting certificate (s) of the awarded tender issued by the government entity in place of the appraisal report of the opinion of the certified public accountant(s).</p>	<p><u>as set forth under Subparagraph (3) of this Paragraph</u> are unavailable in real time as backed up by a justifiable reason, the Company shall obtain the same within two (2) weeks from date of occurrence of the fact.</p> <p>(6) Where the Company acquires or disposes of assets through court auction procedures, the evidentiary documentation issued by the court may be substituted for the appraisal report or CPA opinion.</p> <p>(7) Where the Company acquires or disposes of assets through an open tender from a government entity, the Company may take the relevant supporting certificate (s) of the awarded tender issued by the government entity in place of the appraisal report of the opinion of the certified public accountant(s).</p>	
<p>Article 8: Procedures for the Acquisition or Disposal of the Investment Settlement into Negotiable Securities</p> <p>1. Procedure of Evaluation and Operation Where the Company acquires or disposes of negotiable securities, the Company shall duly handle exactly in accordance with these Procedures and the Company's Internal Control System in Terms of Investment Circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) The buys and sales of negotiable securities in the centralized trading exchange or at the business premises of securities dealers shall be duly judged and determined by the financial, accounting departments or the investment department based on the pricing facts prevalent in the markets. A case of such buy or sale shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be</p>	<p>Article 8: Procedures for the Acquisition or Disposal of the Investment Settlement into Negotiable Securities</p> <p>1. Procedure of Evaluation and Operation Where the Company acquires or disposes of negotiable securities, the Company shall duly handle exactly in accordance with these Procedures and the Company's Internal Control System in Terms of Investment Circulation.</p> <p>2. Procedure for the decision of the condition for trade and authorized limit (1) The buys and sales of negotiable securities in the centralized trading exchange or at the business premises of securities dealers shall be duly judged and determined by the financial, accounting departments or the investment department based on the pricing facts prevalent in the markets. A case of such buy or sale shall be subject to approval by the chairman and further subject to report to the Board of Directors in the most recent meeting while the analytical report on the unrealized profit of the long, short term negotiable securities shall be</p>	

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

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

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

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

### List of candidates for directors and independent directors

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

**[Annex VII]**

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

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

## **[Appendix I]**

### **Articles of Incorporation of Shihlin Development Company Limited 2021.08.27**

#### **Chapter I General Provisions**

##### **Article 1**

The Company is established under the provisions of the Company Act, named Shihlin Development Company Limited.

(The Company's Chinese name is 士林開發股份有限公司.)

##### **Article 2**

The Company's businesses are as follows:

1. E801010 Indoor Decoration.
2. F113020 Wholesale of Household Appliance.
3. F113110 Wholesale of Batteries.
4. F119010 Wholesale of Electronic Materials.
5. F211010 Retail Sale of Building Materials.
6. F213010 Retail Sale of Electrical Appliances.
7. F213110 Retail Sale of Batteries.
8. F219010 Retail Sale of Electronic Materials.
9. H701010 Housing and Building Development and Rental.
10. H701020 Industrial Factory Development and Rental.
11. H701040 Specific Area Development.
12. H701060 New Towns, New Community Development.
13. H701080 Urban Renewal Reconstruction.
14. H703090 Real Estate Commerce.
15. H703100 Real Estate Leasing.
16. I102010 Investment Consulting
17. I103060 Management Consulting
18. JZ99050 Agency Services
19. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.

##### **Article 2-1**

The Company may make external guarantees for business needs.

##### **Article 2-2**

The Company's total investment in other businesses may exceed 40% of the Company's paid-in capital.

##### **Article 3**

The Company is headquartered in Taipei city and a branch may be established in another country, when necessary, by resolution of the Board of Directors.

Article 4: Deleted.

## Chapter II Shares

### Article 5

The Company's total authorized capital is NT\$3 billion, divided into 300 million shares with a par value of NT\$10 per share. The unissued shares among these shares are authorized to the Board of Directors to be issued in installments in common shares or preferred shares.

### Article 5-1

Deleted.

### Article 6

The Company's shares certificates are in registered form and shall be signed or sealed by three directors. The Company's share certificates are prepared under the provisions of the law and are issued after being certified. The Company may issue shares without printing share certificates and shall register with Taiwan Depository & Clearing Corporation.

### Article 7

Shareholders shall fill out a signature card and submit it to the Company for safekeeping. The original seal will be used upon receiving dividends, bonuses, or transferring of shares

### Article 8

Registration for transfer of shares shall be suspended sixty (60) days immediately before the date of regular meeting of shareholders, and thirty (30) days immediately before the date of any special meeting of shareholders, or within five (5) days before the day on which dividend, bonus, or any other benefit is scheduled to be paid by the Company.

### Article 8-1

Taiwan Depository & Clearing Corporation shall, upon request, consolidate and replace by high-denomination securities.

### Article 8-2

All matters related to the Company's shares shall be handled in accordance with the relevant regulations of the competent authority.

## Chapter III Shareholders' Meeting

### Article 9

The shareholders' meeting is divided into general meeting and special meeting. The general meeting shall be held once a year within 6 months after the end of fiscal year. The special

meeting shall be held in accordance with the relevant laws when necessary.

#### Article 10

When a shareholder is unable to attend a shareholders' meeting for any reason, he/she may appoint a proxy by executing a power of attorney to attend the meeting with his/her signature or seal, clearly stating the scope of authorization. For the method for the shareholders to delegate their attendance, except for complying with Article 177 of the Company Act, it shall be subject to the "Regulations Governing the Use of Proxies for Attendance at the Shareholders' Meetings of Public Companies" promulgated by the competent authority.

#### Article 11

Where a shareholders' meeting is convened by the Board of Directors, the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave, the chairman shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair. If a shareholders' meeting is convened by a party with power to convene but other than the Board of Directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

#### Article 12

Each shareholder of the Company shall have one vote for each share held, except for any of the matters set for in Article 179 of the Company Act.

#### Article 13

Unless relevant laws or the Articles of Incorporation provide otherwise, resolutions of the shareholders' meeting shall be made by a session with the presence of shareholders representing more than half of the outstanding shares and a simple majority of the votes of consent cast by the shareholders in session.

The shareholders' meeting adopts electronic voting as one of the ways to exercise voting rights of the Company's shareholders. The related matters are handled in accordance with the law.

#### Article 13-1

Resolutions adopted at a shareholders' meeting shall be recorded in the minutes of the meeting, which shall be affixed with the signature or seal of the chair of the meeting and shall be distributed to all shareholders of the company within twenty (20) days after the close of the meeting. The preparation and distribution of the minutes of shareholders' meeting as required

in the preceding Paragraph may be effected by means of electronic transmission.

#### Chapter IV Board of Directors and Audit Committee

##### Article 14

The Company has seven to nine directors. The number of directors is authorized by the Board of Directors meeting. A candidate's nomination system is adopted by the Company for election of the directors of the company, and the shareholders' meeting shall elect the directors from a list of candidates. The term of office of a director shall not exceed three years, but he/she may be eligible for re-election. In case no election of new directors is effective after expiration of the term of office of existing directors, the term of office of out-going directors shall be extended until the time new directors have been elected and assumed their office. The Board of Directors shall have a chairman who is elected by the directors.

Among the number of directors as mentioned in the preceding paragraph, the number of independent directors shall be at least three and shall not be less than one-fifth of the number of directors.

Independent and non-independent directors shall be elected at the same time, but in separately calculated numbers. Regulations governing the professional qualifications, restrictions on shareholdings and concurrent positions held, method of nomination, and other matters for compliance with respect to independent directors shall be prescribed by the competent securities authorities.

The Company based on "Securities and Exchange Act" has established an audit committee to replace the duties of supervisors.

The audit committee shall be composed of the entire number of independent directors. It shall not be fewer than three persons in number, one of whom shall be committee convener, and at least one of whom shall have accounting or financial expertise.

##### Article 14-1

When the number of vacancies in the board of directors of a company equals one-third of the total number of directors, or if all independent directors are dismissed, the board of directors shall call, within 60 days, a special meeting of shareholders to elect succeeding directors to fill the vacancies. The term of office shall be limited to the full term of the original appointment.

##### Article 15

The Company's important matters shall be resolved by the Board of Directors, except for those that shall be resolved by the shareholders' meeting as required by the law, and shall be carried out by the chairman by resolution of the Board of Directors. Important matters

requiring to be resolved by the Board of Directors, as described above, shall be resolved by the Board of Directors unless otherwise provided by law.

#### Article 16

A Board of Directors meeting shall be conducted at least once a quarter. The specific meeting time shall be determined by the Board of Directors. In the event of an emergency or requested by a majority of the directors, an extraordinary meeting may be called. A Board of Directors meeting is convened by the chairman. If the chairman is unable to convene a meeting for any reason, the appointed proxy by resolution of the Board of Directors shall act as the proxy and the convener shall act as the chair.

The convening referred to in the preceding paragraph may be notified in writing, by fax or by e-mail.

#### Article 17

Except as otherwise stated in the Company Act, a resolution on a matter at a Board of Directors meeting requires the approval of a majority of the directors present at the meeting that shall be attended by a majority of all directors. If a director is unable to attend the meeting for any reason, director appointing another director to attend a board meeting in his or her place shall in each case give to that director a written proxy stating the scope of authorization with respect to the reasons for meeting. Only a proxy from one person is accepted. The minutes of a board meeting shall be signed by the chair, with the original kept in the Company and a copy is used to notify each director.

#### Article 18

The remuneration to the directors (including independent directors) is authorized to the Remuneration Committee to recommend and submit to the Board of Directors for approval based on each Director's involvement in and contribution to the Company's operation and also taking into consideration the usual standards in the industry.

The Company may take out liability insurance for directors with the coverage scope authorized to the Board of Directors for resolution.

### Chapter V Managerial Officers

#### Article 19

The Company has several managerial officers whose appointment, dismissal and remuneration are handled in accordance with the provisions set forth in Article 29 of the Company Act.

### Chapter VI Accounting

#### Article 20

The Company's fiscal year begins on January 1 and ends on December 31. The final accounts are settled after the end of a fiscal year.

#### Article 21

After the end of a fiscal year, the Board of Directors shall prepare the following statements and submit them to the Audit Committee for audit. A report shall be issued to the shareholders for acknowledgement.

1. Business report.
2. Financial statements.
3. Earnings distribution or loss appropriation motion.

Financial statements and earnings distribution or loss appropriation resolution as mentioned in the preceding paragraph may be made by way of announcement.

#### Article 22:

If there is a profit for the current year, the Company shall set aside:

1. 5% as the maximum remuneration to directors.
2. 8% as remuneration to employees.

However, profits must first be reserved to offset against cumulative losses.

#### Article 22-1:

If there are earnings at the end of the fiscal year, the Company shall first pay tax and make up for past losses. The Company shall then set aside 10% for statutory surplus reserve (except when the statutory surplus reserve has reached the Company's paid-in capital) and set aside a special reserve or reversal of the special reserve for the current year's recorded reduction in shareholders' equity that occurred during the year. The accumulated undistributed earnings from the previous periods are then added as shareholders' dividends. Aside from retaining some earnings for future distribution by resolution, the total proportion is distributed in accordance with the Company's dividend policy.

As the Company within the construction industry, we must consider a balanced and stable dividend policy. Depending on the demand for investment capital and the dilution of earnings per share, the Company shall distribute stock dividends or cash dividends in an appropriate manner, of which cash dividends shall not be less than 10% of the total dividends to shareholders. Nevertheless, if the cash dividends are less than NT\$0.1 per share or if the Board of Directors considers that the debt ratio in the Company's financial statements for the year is more than 50%, or if there are significant capital expenditure plans for the year, the Board of Directors may reduce the percentage of cash dividends or distribute stock dividends.

### Chapter VII Supplementary Articles



#### Article 23

Any matters not covered by these Articles are handled in accordance with the Company Act and other relevant laws.

#### Article 24

The Articles of Incorporation were formulated on December 27, 1983.

1st amendment on March 23, 1984.

2nd amendment on June 19, 1984.

3rd amendment on May 7, 1985.

4th amendment on September 12, 1986.

5th amendment on October 4, 1986.

6th amendment on May 25, 1990.

7th amendment on June 24, 1991.

8th amendment on March 20, 1992.

9th amendment on December 3, 1992.

10th amendment on November 25, 1994.

11th amendment on January 10, 1997.

12th amendment on May 26, 2000.

13th amendment on May 28, 2001.

14th amendment on June 14, 2002.

15th amendment on June 14, 2005.

16th amendment on June 14, 2006.

17th amendment on October 29, 2007.

18th amendment on June 13, 2008.

19th amendment on June 16, 2009.

20th amendment on June 9, 2010.

21st amendment on June 9, 2011.

22nd amendment on June 5, 2012.

23rd amendment on June 9, 2015.

24th amendment on June 15, 2016.

25th amendment on June 8, 2018.

26th amendment on June 18, 2019.

27th amendment on August 27, 2021.

## **[Appendix II]**

### **Rules of Procedure for Shareholders' Meetings of Shihlin Development Company Limited**

2013.06.13

1. The Company's shareholders' meeting shall be carried out in accordance with these Rules.
2. Shareholders referred to in these Rules mean the shareholders themselves and proxies appointed by the shareholders to attending the meeting.
3. The Company shall specify in its shareholders' meeting notices the time during which shareholder attendance registrations will be accepted, the place to register for attendance, and other matters for attention.

The time during which shareholder attendance registrations will be accepted, as stated in the preceding paragraph, shall be at least 30 minutes prior to the time the meeting commences. The place at which attendance registrations are accepted shall be clearly marked and a sufficient number of suitable personnel assigned to handle the registrations.

Shareholders and their proxies (collectively, "shareholders") shall attend shareholders' meetings based on attendance cards, sign-in cards, or other certificates of attendance. Solicitors soliciting proxy forms shall also bring identification documents for verification.

The Company shall furnish the attending shareholders with an attendance book to sign, or attending shareholders may hand in a sign-in card in lieu of signing in.

The number of shares in attendance shall be calculated according to the shares indicated by the attendance book and sign-in cards handed in.

4. Attendance at shareholders' meetings shall be calculated based on numbers of shares.
5. The venue for a shareholders' meeting shall be on the premises of the Company, or a place easily accessible to shareholders and suitable for a shareholders' meeting. The meeting may begin no earlier than 9 a.m. and no later than 3 p.m.
6. Where a shareholders' meeting is convened by the Board of Directors; the meeting shall be chaired by the chairman of the board. When the chairman of the board is on leave, the chairman shall appoint one of the directors to act as chair. Where the chairman does not make such a designation, the directors shall select from among themselves one person to serve as chair.

If a shareholders' meeting is convened by a party with power to convene but other than the board of directors, the convening party shall chair the meeting. When there are two or more such convening parties, they shall mutually select a chair from among themselves.

7. The Company may appoint its attorneys, certified public accountants, or related persons retained by it to attend a shareholders' meeting.

Staff handling administrative affairs of a shareholders' meeting shall wear identification cards or arm bands.

8. The Company shall make an audio and video recording of the entire meeting of shareholder and the recorded materials shall be retained for at least one year.
9. The chair shall call the meeting to order at the appointed meeting time. However, when the attending shareholders do not represent a majority of the total number of issued shares, the chair may announce a postponement, provided that no more than two such

postponements, for a combined total of no more than 1 hour, may be made. If the quorum is not met after two postponements as referred to in the preceding paragraph, but the attending shareholders represent one third or more of the total number of issued shares, a tentative resolution may be adopted pursuant to Article 175, paragraph 1 of the Company Act.

When, prior to conclusion of the meeting, the attending shareholders represent a majority of the total number of issued shares, the chair may resubmit the tentative resolution for a vote by the shareholders' meeting pursuant to Article 174 of the Company Act.

10. If a shareholders' meeting is convened by the board of directors, the meeting agenda shall be set by the board of directors. The meeting shall proceed in the order set by the agenda, which may not be changed without a resolution of the shareholders' meeting.

The provisions of the preceding paragraph apply *mutatis mutandis* to a shareholders' meeting convened by a party with the power to convene that is not the board of directors.

The chair may not declare the meeting adjourned prior to completion of deliberation on the meeting agenda of the preceding two paragraphs (including extraordinary motions), except by a resolution of the shareholders' meeting.

After the said meeting is adjourned, shareholders may not elect another chair to hold another meeting at the same place or at any other place. If the chair declares the adjournment of the meeting in a manner in violation of such rules governing the proceedings of meetings, a new chair of the meeting may be elected by a resolution to be adopted by a majority of the voting rights represented by the shareholders attending the said meeting to continue the proceedings of the meeting.

11. Before speaking, an attending shareholder must specify on a speaker's slip the subject of the speech, his/her shareholder account number (or attendance card number), and account name. The order in which shareholders speak will be set by the chair.

A shareholder in attendance who has submitted a speaker's slip but does not actually speak shall be deemed to have not spoken. When the content of the speech does not correspond to the subject given on the speaker's slip, the spoken content shall prevail.

When an attending shareholder is speaking, other shareholders may not speak or interrupt unless they have sought and obtained the consent of the chair and the shareholder that has the floor; the chair shall stop any violation.

12. Except with the consent of the chair, a shareholder may not speak more than twice on the same proposal, and a single speech may not exceed 5 minutes.

If the shareholder's speech violates the rules or exceeds the scope of the agenda item, the chair may terminate the speech.

13. When a legal entity is appointed to attend as proxy, it may designate only one person to represent him/her in the meeting.

When an institutional shareholder appoints two or more representatives to attend a shareholders' meeting, only one of the representatives so appointed may speak on the same proposal.

14. After an attending shareholder has spoken, the chair may respond in person or direct relevant personnel to respond.

15. When the chair is of the opinion that a proposal has been discussed sufficiently to put it to a vote, the chair may announce the discussion closed, call for a vote, and schedule sufficient time for voting.

16. Vote monitoring and counting personnel for the voting on a proposal shall be appointed by the chair, provided that all monitoring personnel shall be shareholders of the Company.

Vote counting for shareholders' meeting proposals or elections shall be conducted in public at the place of the shareholders' meeting. Immediately after vote counting has been completed, the results of the voting, including the statistical tallies of the numbers of votes, shall be announced on-site at the meeting, and a record made of the vote.

17. When a meeting is in progress, the chair may announce a break based on time considerations
18. Except as otherwise provided in the Company Act and in the Company's Articles of Incorporation, the passage of a proposal shall require an affirmative vote of a majority of the voting rights represented by the attending shareholders. If there is no objection by all shareholders present following an inquiry by the chair, the proposal shall be deemed passed with the same effect as a poll.
19. When there is an amendment or an alternative to a proposal, the chair shall present the amended or alternative proposal together with the original proposal and decide the order in which they will be put to a vote. When any one among them is passed, the other proposals will then be deemed rejected, and no further voting shall be required.
20. The chair may direct the proctors (or security personnel) to help maintain order at the meeting place. When proctors (security personnel) help maintain order at the meeting place, they shall wear an identification card or armband bearing the word "Proctor."
21. All matters not provided in these Rules are handled in accordance with the Company Act and the Company's Articles of Incorporation.
22. These Rules shall take effect after approval by a shareholders' meeting. Subsequent amendments thereto shall be effective in the same manner.

## **[Appendix III]**

### **SHIHLIN DEVELOPMENT COMPANY LIMITED – Regulations Governing the Election of Directors**

06.18.2019

- Article 1: Unless otherwise provided by the Company Act and related law and regulation and by the Company's Articles of Incorporation, the elections of directors shall be conducted in accordance with the "Regulations Governing the Election of Directors."
- Article 2: The election of the Company directors shall be conducted at the shareholders' meeting. Shareholders have the right to be a voter and a candidate by law.
- Article 3: The election of the Company directors is by the candidate nomination system adopted. The board directors shall be elected from the candidate list in accordance with the quorum defined in the Company's Articles of Incorporation.
- Article 4: The election of the Company directors is by the single name and cumulative voting system adopted in practice. The voter's name may be replaced by the attendance certificate number printed on the ballot.

In the process of electing the Company directors, the number of votes exercisable in respect of one share shall be the same as the number of directors to be elected. The Company shall prepare the ballots equivalent to the number of directors to be elected or a single ballot to calculate the total number of voting rights and then have it distributed to all shareholders. The total number of votes per share may be consolidated for election of one candidate or may be split for election of two or more candidates.

The aforementioned ballots prepared by the Company shall be affixed with the shareholder attendance certificate number and voting rights.

In the process of electing the Company's directors, shareholders may exercise their voting right in writing or by way of electronic transmission, which will be detailed in the shareholders' meeting notice.

- Article 5: If the candidate is a shareholder, the voter must fill in the candidate's account name and shareholder account number in the "Candidate" column of the ballot. If the candidate is not a shareholder, the name or title and the ID card number of the candidate or corporate tax ID No. should be filled in the said column of the ballot. However, when the government or corporate shareholder is a candidate, the title of the government or corporate should be filled in the "Candidate" column of the ballot with the name of its representative stated. The names of each representative, if there is more than one representative appointed, should be

filled in respectively.

Article 6: Those receiving ballots representing the highest numbers of voting rights will be elected sequentially according to their respective numbers of votes. When two or more persons receive the same number of votes, thus exceeding the quorum, they shall draw lots to determine the winner, with the chair drawing lots on behalf of any person not in attendance.

The Company's independent directors and non-independent directors shall be elected together and the number of elected seats should be counted separately. The elections of independent directors shall be conducted in accordance with the "Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies" and the related law and regulations.

The number of voting rights shall be calculated according to the shares indicated by the ballots casted by the shareholders plus the number of shares whose voting rights are exercised by correspondence or electronically.

Article 7: The chair before the election started shall appoint a number of monitoring personnel who are with a shareholder status and counting personnel to perform the respective duties of vote.

Article 8: The Company shall have the ballot boxes prepared for elections and have them opened by the monitoring personnel in public before voting.

Article 9: A ballot is invalid in any of the following circumstances:

1. The ballot is not prepared in accordance with the Regulations.
2. A ballot is not placed in the ballot box.
3. A blank ballot is placed in the ballot box.
4. The writing is unclear and indecipherable or has been altered.
5. The candidate whose name is entered in the ballot is a shareholder, but the candidate's account name and shareholder account number do not conform with those given in the shareholder roster. The candidate whose name is entered in the ballot is a non-shareholder, and a cross-check shows that the candidate's name or title and identity card or corporate tax ID No. do not match.
6. The information provided in the preceding paragraph (Article 5) is incomplete.
7. Other words or marks are entered in addition to the information stated in Article 5.
8. The total number of voting rights casted by electors exceeds the total number of voting rights they hold.

9. The number of candidates elected exceeds the quorum.

Article 10: The voting rights shall be calculated on site immediately after the end of the poll and the results of the vote calculation shall be announced by the chairman.

Article 10-1: The elected candidate who does not comply with the provisions of Article 26-3, Paragraph 3 of the Securities and Exchange Act shall be disqualified.

Article 11: The “Regulations Governing the Election of Directors” and any amendments hereto shall be implemented after being approved in the shareholders’ meeting.

## [Appendix IV]

### **Number of shares held by directors and minimum number of shares required to be held**

- I. The number of shares issued by the Company is 226,379,090 shares. According to Article 2 set forth in the “Rules and Review Procedures for Director and Supervisor Share Ownership Ratios at Public Companies,” the minimum number of shares required to be held by all directors shall not be less than 12,000,000 shares.
- II. The number of shares held by all directors registered on the final date of transfer on April 11, 2022 for the 2022 annual general meeting (see table).

Table:

#### **Shihlin Development Company Limited**

#### **Individual shareholdings by directors and total shareholdings**

Title	Name	Date of transfer Numbers of shareholdings registered	Shareholding ratio %
Chairman	Shunlin Investment Co., Ltd. Representative: Hsu, Yu-Shan	1,946,184 shares	0.86%
Director	Li, Chang-Lin	260,250 shares	0.11%
Director	Xiemei Industrial Co., Ltd. Representative: Yeh, Chi-Chao	9,977,374 shares	4.41%
Director	Ambassador Investment Corp. Ltd. Representative: Li, Ying-Chu	5,781,850 shares	2.55%
Independent Director	Wang, Chia-Kun	0	0
Independent Director	Kuo, Chia-Wen	0	0
Independent Director	Shen, Ching-Mao	0	0
Total by directors		17,965,658 shares	7.93%