

Stock Code : 5324



SHIHLIN DEVELOPMENT COMPANY LIMITED.

2023 Annual General Meeting

Meeting Handbook

Date of meeting: June 1, 2023

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

Shihlin Development Company Limited

Meeting Handbook for 2023 Annual General Meeting

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Shihlin Development Company Limited
Procedure of 2023 Annual General Meeting

- I. Call Meeting to Order
- II. Chair Remarks
- III. Management Presentation (Company Reports)
- IV. Proposals for acknowledgement
- V. Extemporaneous (unscheduled) motion (s)
- VI. Meeting adjourned

Shihlin Development Company Limited 2023 Annual General Meeting Agenda

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

Time: 9:00 a.m. on June 1 (Friday), 2023

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: 2022 Business Report.
 - Motion 2: Report on the 2022 financial statements reviewed by the Audit Committee.
 - Motion 3: Report on amendment to the Rules of Procedure for Board of Directors' Meetings.
- IV. Proposals for acknowledgement
 - Motion 1: Motion for the 2022 business report and financial statements.
 - Motion 2: Motion to make good the loss in 2022.
- V. Extemporaneous (unscheduled) motion (s)
- VI. Meeting adjourned

Management Presentation (Company Reports)

Motion 1

Reason: 2022 business report. Please review.

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

Motion 2

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

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

Motion 3:

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

Description:

- I. On November 10, 2022, the board approved the amendment to the Rules of Procedure for Board of Directors' Meetings in accordance with Jin-Guan-Zheng-Fa-Zi Document #1110383263 and Jin-Guan-Zheng-Fa-Zi Document #1080361934 to respond to the operating needs of the Company.
- II. Please refer to pp. 10-13 (Attachment 3) of the handbook for the comparison table for contents before and after the amendment.

Proposals

Motion 1

Proposed by the Board of Directors

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

Description: 1. The Company's 2022 standalone financial statements and consolidated financial statements have been prepared by the Company and have been audited by CPAs Chen, Tsung-Che and Huang, Hsin-Ting of KPMG Taiwan. An audit report has been issued and submitted to the Audit Committee for review alongside the business report.

2. For the Company's 2022 business report, please refer to the Annex 1 of this Handbook; for standalone financial statements, consolidated financial statements and CPAs' review report, please refer to the Annex 4 of this Handbook. Please acknowledge.

Resolution:

Motion 2

Proposed by the Board of Directors

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

Description: 1. The Company's beginning loss to be made up for was NT\$437,062,947; less: current loss after tax of NT\$208,091,736; add: other comprehensive income - change in the re-measurement of defined-benefit plans for the current period of NT\$3,088,375; the accumulated losses to be made up for the period is NT\$642,066,308.

2. As the Company had accumulated losses as of 2022, no dividends are intended to be distributed.

3. Please refer to the Annex 5 of the present Handbook, i.e. the Table of Loss to be Made up for acknowledgement.

Resolution:

Extemporaneous (unscheduled) motion (s)

Meeting adjourned

[Annex I]

Shihlin Development Company Limited 2022 Business Report

Dear Shareholders,

First of all, I would like to express my gratitude to you all, ladies and gentlemen as our shareholders, for your continuous support during the past year. Our 2022 operating results and 2023 business outlook are as follows:

1. 2022 Operating Results

(I) Business plan implementation results

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

(II) Budget implementation:

Unit: NT\$ thousand

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

(III) Analyses into financial revenues and expenditures and profitability

Unit: NT\$ thousand

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

| Item | Year | | 2022 | 2021 |
|---------------|------------------------------------|-----------|---------|---------|
| Profitability | Return on assets (%) | | (1.97) | (1.63) |
| | Return on shareholders' equity (%) | | (13.74) | (10.52) |
| | As a | Operating | (8.11) | (8.31) |

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

(IV) Research and development work

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

2. Summary of 2022 business plan

(I) Business policy:

1. Due to the impact of global rate hikes, tightening of monetary policy and actions taken to curb speculation of the housing market in 2022, Taiwan's overall housing market has entered a phase of shrinkage and consolidation. Buyers' willingness to offer bids has dropped sharply, resulting in financial constraints for small and medium-sized construction firms and also affecting the integration of urban renewal projects. The Company's has come into contact with more diverse sources of projects and land owners' willingness for co-development or sell land also greatly increased. In 2023, the Company will be more rigorous in selecting urban renewal cases, hoping to moderately expand our business in times of an economic slowdown.
2. Our strategy for land development focuses on the co-development of renovation of old buildings and urban renewal projects in the Greater Taipei area, supplemented by self-construction of purchased land. At this point, we still focus on the projects of residential buildings, and will also continue to find projects of commercial and industrial buildings.
3. We will modify and refine our product positioning targeting framework and continue to monitor environmental changes in demographic structure/family composition/aging/pandemic while developing work methods to prevent the outbreak. Introducing universal designs to create products that meet customer needs.
4. Aiming at the construction industry related products which are characterized by quite prolonged production cycles, we shall try to accelerate acquirement of construction licenses into commencement of the Projects as soon as we acquire the required land.

5. Strict quality and cost control with stringent budget management and a robust audit system to reduce cost and increase return on investment for efficient operations management. Implement operations engineering standardization for operations to thoroughly master engineering quality and strictly control the progress to improve quality and technology.
6. Meet customer needs and strengthen after-sales service, reinforce the service skills of customer service and sales personnel, establish a customer service system, and provide all-inclusive after-sales service and regular maintenance to increase customer satisfaction and trust.
7. Pay attention to updates and research on laws and regulations on par with government guidelines to adopt conservative strategies and ensure the rights and interests of shareholders.

(II) Projected sales volume and basis:

Project launched for sales

| Project name | Location/base area | Description |
|--------------------|---|---|
| Lin-Yi-Ruo-Zhuo | Zhongzheng District, approximately 131 <i>ping</i> (433 square meters) | The aggregate total sale amount was approximately NT\$670 million, of which 50% of the units had been sold and closed. Subsequently as the market status may justify, we shall flexibly adjustment sales strategies. |
| Jing-An-Shu-Yu | Tianmu, approximately 505 <i>ping</i> (1669.4 square meters) | This project has been sold out, with a total sales amount of NT\$1.1 billion and is expected to be completed in 2024. |
| Yang-Ming-Zhi-Yuan | Shipai, approximately 488 <i>ping</i> (1613.2 square meters) | This project has been sold out, with a total sales amount of NT\$1 billion and is expected to be completed in 2024. |
| Mei-Hao-Ri-An | Tianmu, approximately 173 <i>ping</i> (571.9 square meters) | A total sales amount of NT\$0.3 billion. Note* |
| Cheng-Xin-Yao-Yao | Datong District, approximately 1,009 <i>ping</i> (3335.5 square meters) | The aggregate total sales might be approximately NT\$4.8 billion. In 2021 through open sales to public, we already accomplished 50% of the total target. Subsequently we shall flexibly adjust the sales strategies as the market status may justify. The entire Project is scheduled to be |

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| | | completed and delivered to buyers by 2026. |
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Note* As the foundation for the co-development with land owners' property are connected with the adjacent houses, reinforcement for the adjacent houses is needed before construction. However, the home owners of the nearby houses do not agree to the reinforcement, so the land owners will clear the obstacles through litigation before the delivery to the Company for future construction.

Looking into 2023, we will continue to sell the projects as mentioned above, as well as proactively promoting urban renewal projects in Bihu Section in Neihs District, Anhe Road and Rui'an Street in Da'an District, as well as prime locations in Taipei City and New Taipei City. The urban renewal project in the Bihu Section in Neihs District has been approved by the City Government of Taipei and the building demolition permit has been obtained, so the demolition work will be carried out within this year as planned.

(III) Production and sales policies:

1. Production strategy-

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

2. Sales strategy-

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

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

and the overall business environment:

Looking back on the performance of the housing market in 2022 when it turned cold from hot, there were factors such as the Russo-Ukrainian War which affected price hikes in energy and commodities, the constant rate hikes in the US which also resulted in the rise in domestic interest rate and were not conducive to the domestic house sales, both holding back the demand for a wait-and-see. In terms of the supply, the domestic policy has adopted financial control and pressure on construction firms, so the recent trends of short-term interest rate hikes remain unchanged, which increased the capital cost for builders. The price of raw materials has also gone up, the supply of foreign workers went down, which caused the shortage in construction workers, so the overall environment is rather unfriendly to construction firms.

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

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

Although external changes are unpredictable, we intend to use products that are on par with brand ideals and architectural concepts to continue to strictly control costs and expenses. By committing to the enhancement of the added value of our products, we can focus more on the creation of the community as a whole, increasing our competitive advantage in the market. We uphold a sustainable management philosophy and aim to maximize the interests of shareholders and employees, while proactively investing in multiple businesses to pursue operational growth and profitability.

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, 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 2022 including business report, financial statement and table for loss make-up. Among them, the financial statements have been duly audited and contracted by KPMG Certified Public Accountants who has worked out the Audit Report. The abovementioned business report, financial statements and profit and loss appropriation table have not been found to be inconsistent after the audit by the Audit Committee, and we have therefore prepared the report in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please review.

Sincerely

The Company's 2023 Annual General Meeting

Shihlin Development Company Limited

Convener of the Audit Committee:

Wang, Chia-Kun

March 9, 2023

[Annex III]

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

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

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

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

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

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

[Annex IV]

Independent Auditors' Report

To Shihlin Development Company Limited,

Audit opinion

We have reviewed the accompanying balance sheets of Shihlin Development Company Limited (the "Company") for the years ended December 31, 2022 and 2021 and the relevant standalone statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (collectively referred to as the "standalone financial statements").

In our opinion, the accompanying standalone financial statements, based on our audit results and other CPAs' audit reports (see "Other matters" paragraph), present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021 and for the years then ended, and its financial performance and cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for the audit opinion

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

Key audit matters

Key audit matters refer to the most vital matters in our audit of the standalone financial statements of the Company for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the standalone financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the consolidated financial statements of the Group are stated as follows:

I. Inventory valuation

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

Description of key audit matters:

The Company's construction inventories are an important asset for operations, accounting for about 66% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the test of inventory values is one of our key audit matters during the audit of the Company's standalone financial statements.

Audit procedures:

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

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

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

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

Description of key audit matters:

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

Audit procedures:

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

Other matters

Among the investments using the equity method recognized by the Company, some investees' financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said standalone financial statements, such investees' amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2022 and 2021 accounted for 1.09% and 1.77% of the total assets, respectively. The share in the profit or loss of subsidiaries and associates using the equity method recognized for the years ended December 31, 2022 and 2021 accounted for 4.22% and (49.02)% of the net loss before tax, respectively.

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Company's standalone financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

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

March 9, 2023

Shihlin Development Company Limited

Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Shihlin Development Company Limited
Statements of Comprehensive Income
For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

| | | 2022 | | 2021 | |
|------|---|----------------------------|---------------------|-------------------------|--------------------|
| | | Amount | % | Amount | % |
| 4000 | Operating income (Note 6(20)) | \$ 25,476 | 100 | 319,534 | 100 |
| 5000 | Operating costs | 14,358 | 56 | 282,683 | 88 |
| | Gross profit | 11,118 | 44 | 36,851 | 12 |
| | Operating expenses (Notes 6(14), 6(15), 6(18) and 7): | | | | |
| 6100 | Marketing expenses | 2,291 | 9 | 5,702 | 2 |
| 6200 | Management expenses | 100,591 | 395 | 97,434 | 30 |
| | | 102,882 | 404 | 103,136 | 32 |
| | Net operating loss | (91,764) | (360) | (66,285) | (20) |
| | Non-operating income and expenses: | | | | |
| 7100 | Interest income (Note 6(22)) | 6,595 | 26 | 757 | - |
| 7010 | Other income (Notes 6(22) and 7) | 14,962 | 59 | 10,699 | 3 |
| 7020 | Other gains and losses (Note 6 (22)) | (8,787) | (34) | (8) | - |
| 7050 | Finance costs (Notes 6(22) and 7) | (53,671) | (211) | (27,007) | (8) |
| 7060 | Share of profits or losses on subsidiaries and associates recognized using the equity method (Note 6(6)) | (75,426) | (296) | (18,332) | (6) |
| | Total non-operating income and expenses | (116,327) | (456) | (33,891) | (11) |
| 7900 | Net loss before tax | (208,091) | (816) | (100,176) | (31) |
| 7950 | Income tax expenses (Note 6(16)) | - | - | 2,397 | 1 |
| 8200 | Net loss for the period | (208,091) | (816) | (102,573) | (32) |
| 8300 | Other comprehensive income: | | | | |
| 8310 | Items not reclassified to profit or loss | | | | |
| 8316 | Unrealized gains or losses on investment in equity instruments at fair value through other comprehensive income | (7,630) | (30) | (28,147) | (9) |
| 8330 | Share of other comprehensive income of subsidiaries, associates, and joint ventures recognized using the equity method - items not reclassified to profit or loss | 3,034 | 12 | 286 | - |
| 8349 | Income tax related to items not reclassified | - | - | - | - |
| | Comprehensive income for the period | (4,596) | (18) | (27,861) | (9) |
| 8500 | Total comprehensive income for the period | <u><u>\$ (212,687)</u></u> | <u><u>(834)</u></u> | <u><u>(130,434)</u></u> | <u><u>(41)</u></u> |
| | Earnings (loss) per share (Note 6(19)) | | | | |
| 9750 | Basic earnings (loss) per share | \$ | (0.92) | | (0.64) |
| 9850 | Diluted earnings (losses) per share | \$ | (0.92) | | (0.64) |

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

Chairman: Hsu, Yu-Shan

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

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

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

Unit: NT\$ thousand

| | | | Retained earnings | | Other equity items | |
|---|---------------------|-----------------|-------------------|---------------------------|--------------------|--|
| | Common stock | Capital surplus | Legal reserve | Deficit to be compensated | Total | Unrealized gain or loss on financial assets at fair value through other comprehensive income |
| Balance as at January 1, 2021 | \$ 1,363,791 | 64,187 | 50,262 | (310,227) | (259,965) | (189,592) |
| Net loss for the period | - | - | - | (102,573) | (102,573) | - |
| Comprehensive income for the period | - | - | - | 59 | 59 | (27,920) |
| Total comprehensive income for the period | - | - | - | (102,514) | (102,514) | (27,920) |
| Changes in other capital surplus: | | | | | | |
| Cash capital increase -employee stock options | - | 435 | - | - | - | - |
| Cash capital increase | 900,000 | (47,138) | - | - | - | - |
| Difference between the price of the acquisition or disposal of subsidiary's equity and the book value | - | - | - | (24,265) | (24,265) | - |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | (57) | (57) | 57 |
| Balance as at December 31, 2021 | 2,263,791 | 17,484 | 50,262 | (437,063) | (386,801) | (217,455) |
| Net loss for the period | - | - | - | (208,091) | (208,091) | - |
| Comprehensive income for the period | - | - | - | 3,088 | 3,088 | (7,684) |
| Total comprehensive income for the period | - | - | - | (205,003) | (205,003) | (7,684) |
| Balance as at December 31, 2022 | \$ 2,263,791 | 17,484 | 50,262 | (642,066) | (591,804) | (225,139) |

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

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

Unit: NT\$ thousand

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

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

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

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

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

Independent Auditors' Report

To Shihlin Development Company Limited,

Audit opinion

We have reviewed the accompanying consolidated balance sheets of Shihlin Development Company Limited (hereinafter referred to as the “Company”) and its subsidiaries (hereinafter referred to collectively as the “Group”) for the years ended December 31, 2022 and 2021 and the relevant consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and relevant notes, including a summary of significant accounting policies (hereinafter referred to collectively as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements, based on our audit results and other CPAs' audit reports (see “Other matters” paragraph), present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022 and 2021 and for the years then ended and its consolidated financial performance and consolidated cash flows for the years then ended in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards (hereinafter referred to as IFRS), International Accounting Standards (hereinafter referred to as IAS), IFRIC Interpretations (hereinafter referred to as IFRIC) and SIC Interpretations (SIC) (hereinafter collectively referred to as “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of the Republic of China.

Basis for the audit opinion

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

Key audit matters

Key audit matters refer to the most vital matters in our audit of the consolidated financial statements of the Group for the year ended December 31, 2022, based on our professional judgment. These matters were addressed in our audit of the consolidated financial statements as a whole, and in forming our audit opinion. We do not express a separate opinion on these matters. Key audit matters of the consolidated financial statements of the Group are stated as follows:

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

Please refer to Note 4(17) to the consolidated financial statements for the accounting policy on income recognition; please refer to Note 6(21) to the consolidated financial statements for the description of income.

Description of key audit matters:

The Group's revenue is mainly from guest rooms and catering services. Due to the characteristics of this industry, the revenue consists of a large number of small-amount transactions, so the risk of error is high. Therefore, the testing of the income from hotel rooms, and catering services recognized is one of the important matters to be audited during our audit of the Group's consolidated financial statements.

Audit procedures:

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

II. Inventory valuation

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

Description of key audit matters:

The Group's construction inventories are an important asset for operations, accounting for about 54% of its total assets; inventory valuation is handled in accordance with the International Accounting Standards (IAS) 2. If the net realizable value is not properly appraised, the financial statements will be misstated. Therefore, the test of inventory values is one of our key audit matters during the audit of the Group's consolidated financial statements.

Audit procedures:

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

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

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

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

Description of key audit matters:

The carrying amount of the Group's property, plant and equipment and right-of-use assets as at December 31, 2022 accounted for 17% of the total consolidated assets. As the future operating performance of the aforementioned assets is susceptible to uncertain factors, such as competition in the industry, policies, and economic environment, estimating the recoverable amount of the aforementioned assets based on the discounted present value of future cash flows is highly uncertain. As such, the carrying amount of property, plant and equipment and right-of-use assets may be impaired. Therefore, we paid special attention to the appropriateness of the assumptions, estimates, and judgment adopted for the discounted present value of the future cash flows during the audit process.

Audit procedures:

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

management for the calculation of the recoverable amount, and confirmed the correctness of the recoverable amount. We also examined whether the Group's disclosure of information related to impairment of assets was appropriate.

Other matters

Among the subsidiaries included in the Group's consolidated financial statements, Charter Leisure Co., Ltd.'s financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, Charter Leisure Co., Ltd.'s amounts listed in the financial statements were based on the audit report by other CPAs. Charter Leisure Co., Ltd.'s total assets as of December 31, 2022 and 2021 accounted for 2.09% and 1.58% of the total consolidated assets, respectively. Its net operating income for the years ended December 31, 2022 and 2021 accounted for 16.43% and 9.30% of the consolidated net operating income, respectively.

Among the investments using the equity method included in the Group's consolidated financial statements, the investees' financial statements were not audited by us but by other CPAs. Therefore, in the opinion we expressed on said consolidated financial statements, such investees' amounts listed in the financial statements were based on the audit report by other CPAs. The investment amount recognized for some investees using the equity method as of December 31, 2022 and 2021 accounted for 0.31% and 0.86% of the total consolidated assets, respectively. The share in the profit or loss of associates using the equity method recognized for the years ended December 31, 2022 and 2021 accounted for 3.76% and (33.30)% of the consolidated net loss before tax, respectively.

The Group has prepared the standalone financial statements for the years ended December 31, 2022 and 2021, for which we have issued an audit report with an unqualified opinion with the "Other matters" paragraph for reference.

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

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

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

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

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

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

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

1. Identified and assessed the risks of material misstatement arising from fraud or error within the consolidated financial statements; designed and executed countermeasures in response to said risks, and obtained sufficient and appropriate audit evidence to provide a basis for our opinion. Fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal

control. Therefore, the risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error.

2. Understood the internal control related to the audit in order to design appropriate audit procedures under the circumstances, while not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies adopted and the reasonableness of accounting estimates and relevant disclosures made by the management.
4. Concluded on the appropriateness of the management's adoption of the going concern basis of accounting based on the audit evidence obtained and whether a material uncertainty exists for events or conditions that may cast significant doubt over the Group's ability to continue as a going concern. If we are of the opinion that a material uncertainty exists, we shall remind users of the consolidated financial statements to pay attention to the relevant disclosures in said statements within our audit report. If such disclosures are inadequate, we need to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure, and content of the consolidated financial statements (including relevant notes), and whether the consolidated financial statements adequately present the relevant transactions and events.
6. Obtained sufficient and appropriate audit evidence concerning the financial information of entities within the Group, to express an opinion on the consolidated financial statements. We were responsible for guiding, supervising, and performing the audit and forming an audit opinion about the Group.

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

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

From the matters communicated with the governing bodies, we determined the key audit matters for the audit of the Group's consolidated financial statements for the year ended December 31, 2022. We have clearly indicated such matters in the auditors' report. Unless legal regulations prohibit the public disclosure of specific matters, or in extremely rare cases, where we decided not to communicate over specific items in the auditors' report for it could be reasonably anticipated that the negative effects of such disclosure would be greater than the public interest it brings forth.

KPMG Taiwan

CPA:

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

March 9, 2023

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Balance Sheets

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin,
Hsin-Cheng

Chief accounting officer:
Kuo, Ying-Yen

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

Unit: NT\$ thousand

| | Equity attributable to owners of the parent company | | | | | | | | |
|---|---|-----------------|-------------------|---------------------------|------------------|--|---|---------------------------|------------------|
| | Share capital | | Retained earnings | | | Other equity items | Total equity attributable to owners of the parent company | Non-controlling interests | Total equity |
| | Common stock | Capital surplus | Legal reserve | Deficit to be compensated | Total | Unrealized gain or loss on financial assets at fair value through other comprehensive income | | | |
| Balance as at January 1, 2021 | \$ 1,363,791 | 64,187 | 50,262 | (310,227) | (259,965) | (189,592) | 978,421 | 123,513 | 1,101,934 |
| Net loss for the period | - | - | - | (102,573) | (102,573) | - | (102,573) | (48,747) | (151,320) |
| Comprehensive income for the period | - | - | - | 59 | 59 | (27,920) | (27,861) | 373 | (27,488) |
| Total comprehensive income for the period | - | - | - | (102,514) | (102,514) | (27,920) | (130,434) | (48,374) | (178,808) |
| Changes in other capital surplus: | | | | | | | | | |
| Cash capital increase -employee stock options | - | 435 | - | - | - | - | 435 | - | 435 |
| Cash capital increase | 900,000 | (47,138) | - | - | - | - | 852,862 | - | 852,862 |
| Disposal of subsidiary | - | - | - | - | - | - | - | (1,497) | (1,497) |
| Difference between the price of the acquisition or disposal of subsidiary's equity and the book value | - | - | - | (24,265) | (24,265) | - | (24,265) | 24,265 | - |
| Disposal of equity instruments at fair value through other comprehensive income | - | - | - | (57) | (57) | 57 | - | - | - |
| Increase or decrease in non-controlling interests | - | - | - | - | - | - | - | (9) | (9) |
| Balance as at December 31, 2021 | 2,263,791 | 17,484 | 50,262 | (437,063) | (386,801) | (217,455) | 1,677,019 | 97,898 | 1,774,917 |
| Net loss for the period | - | - | - | (208,091) | (208,091) | - | (208,091) | (20,088) | (228,179) |
| Comprehensive income for the period | - | - | - | 3,088 | 3,088 | (7,684) | (4,596) | 3,974 | (622) |
| Total comprehensive income for the period | - | - | - | (205,003) | (205,003) | (7,684) | (212,687) | (16,114) | (228,801) |
| Balance as at December 31, 2022 | \$ 2,263,791 | 17,484 | 50,262 | (642,066) | (591,804) | (225,139) | 1,464,332 | 81,784 | 1,546,116 |

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

Chairman: Hsu, Yu-Shan

Managerial officer: Lin, Hsin-Cheng

Chief accounting officer: Kuo, Ying-Yen

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

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

Shihlin Development Company Limited and Its Subsidiaries

Consolidated Statements of Cash Flows (Continued)

For the Years Ended December 31, 2022 and 2021

Unit: NT\$ thousand

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

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

Chairman: Hsu, Yu-Shan

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

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

[Annex V]

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

Chairman: Hsu, Yu-Shan

President: Lin, Hsin-Cheng

Chief accounting officer:
Kuo, Ying-Yen

[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.

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]

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 2, 2023 for the 2023 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% |
| Director | Lin, Hsin-Cheng | 3,055,880 shares | 1.35% |
| Independent Director | Wang, Chia-Kun | 0 shares | 0 |
| Independent Director | Kuo, Chia-Wen | 0 shares | 0 |
| Independent Director | Chen, Chia-Hsiu | 0 shares | 0 |
| Total by directors | | 21,021,538 shares | 9.28% |